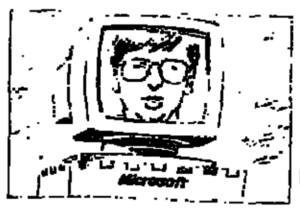


Champion or bully?
Competition test for the house of Windows
Page 17

Fayeds' finances
Pharaohs on a knife-edge
Page 16

All quiet on site
European building and construction
Survey, Pages 9-12

TOMORROW'S
Weekend FT
Vichy France: the guilty anniversary

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY JULY 23 1993 — D8523A

Major wins first Maastricht vote but loses second

Britain's Conservative government last night won the first of two crucial votes on the Maastricht treaty on European union with the support of a casting vote by the Speaker after a 317-317 tie on an opposition amendment. But prime minister John Major was later defeated at the hands of rebel Eurosceptic MPs in his own party.

A second vote endorsing the government's position on the social chapter on workers' rights was defeated by 324-316. This gave Conservative Eurosceptics the chance to defeat the government and put the ratification process into "limbo". In such circumstances the government will have to return to the House of Commons for a further debate and yet another vote.

However, formal ratification also has to wait for the completion of a High Court review of the legality of the Maastricht process. Earlier story, Page 7.

French sell-offs: Rhône-Poulenc, chemicals group, and Banque Nationale de Paris, were confirmed as the first four state-owned groups selected for privatisation to be sold. Page 19

AZT 'victory' claim: Wellcome, UK pharmaceuticals group, claimed victory in its struggle for ownership of the patents for AZT, its treatment against the Aids virus, HIV. One of two US generic companies challenging the patents said it would appeal the federal court ruling. Page 18

Battle looms as Miyazawa bows out

Kiichi Miyazawa (left) announced his resignation as president of Japan's Liberal Democratic party, setting off a battle over who should follow him as the next prime minister. Younger LDP members immediately accused senior party executives of "undermining public confidence" in the party by seeking to form an exclusive committee to pick a successor. Page 18; Kanemaru pleads not guilty, Page 4

Iraq accepts monitoring: Iraq agreed to United Nations monitoring of its nuclear, chemical, biological and heavy weapons capability in an attempt to have sanctions lifted. Page 4

Peace talks postponed: Peace talks in Geneva were postponed after intense Serb bombardments of Sarajevo and other enclaves in Bosnia. Page 2

ERBD contest hots up: Backroom fighting surrounding the election of a new president of the European Bank of Reconstruction and Development to succeed Jacques Attali intensified as the deadline for nominations was extended. Page 2

US-Japan trade move: Richard Gephardt, majority leader in the US House of Representatives, said he would introduce legislation in September requiring the administration to enforce the US-Japan negotiating framework deal reached at the Tokyo economic summit. Page 6

Texaco doubles profits: Higher natural gas prices in the US helped Texaco post second quarter net profits of $309m – double those of the same quarter last year. Page 22

Lonrho can sue: The UK Court of Appeal ruled that international trading conglomerate Lonrho could sue the Fayed brothers over an alleged dirty tricks campaign after their takeover of the House of Fraser group in 1985. Less stormy waters, Page 16

Salomon, US securities house and energy trading group, reported record second-quarter profits of $433m following a strong performance from its Wall Street brokerage unit. Page 19

Tiphook, UK transport rental company, denied that it faced takeover following disappointing results announced last week. Page 19; Lex, Page 18

S Lebanon assault: The danger of a serious military confrontation in south Lebanon rose sharply after Iranian-backed guerrillas launched a new offensive against targets held by Israel and its allies. Page 4

Caution on Japanese recovery: Bank of Japan governor Yasushi Mieno forecast a weak economic recovery late in the year, stirring expectations of a cut in official interest rates. Page 4

■ STOCK MARKET INDICES		
FT-SE 100:	2820.1	(+6.0)
Yield	4.06	
FT-SE Eurotrack 100	1217.14	(+4.39)
FT-A All-Share	1399.44	(+0.2%)
Nikkei	20,115.81	(+34.9)
New York lunchtime:		
Dow Jones Ind Ave	3545.9	(-9.5)
S&P Composite	446.66	(-0.52)
■ US LUNCHTIME RATES		
Federal Funds:	$3\frac{1}{8}$%	
3-mo Treas Bills: Yld	3.116%	
Long Bond	$106\frac{3}{8}$	
Yield	6.628%	
■ LONDON MONEY		
3-mo Interbank	$6\frac{1}{16}$%	(same)
Liffe long gilt future:	Sep $108\frac{9}{32}$	(Sep $108\frac{3}{16}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sept)	$16.50	(16.85)
■ Gold		
New York Comex Aug	$391.3	(389.5)
London	$390.5	(390.4)

■ STERLING		
New York lunchtime:		
$	1.509	
London:		
$	1.508	(1.5145)
DM	2.5750	(2.5725)
FFr	8.8025	(8.7875)
SFr	2.2675	(2.2725)
Y	161.00	(164.25)
£ Index	82.2	(82.1)
■ DOLLAR		
New York lunchtime:		
DM	1.768	
FFr	5.831	
SFr	1.50585	
Y	106.55	
London:		
DM	1.7080	(1.6985)
FFr	5.8375	(5.8025)
SFr	1.503	(1.501)
Y	106.85	(108.5)
$ Index	65.7	(same)
Tokyo close Y 108.28		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Switz	SFr3.20		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00		
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250		
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Turkey	L6000		
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	UAE	Dh11.00		

Probe into alleged spying at VW widens

Prosecutors say find of GM data provides link to Lopez

By Christopher Parkes in Frankfurt

CRIMINAL investigations into alleged industrial spying by top Volkswagen executives have been stepped up following the discovery of copies of confidential General Motors data.

Prosecutors in Darmstadt have widened the probe into possible links between Mr José Ignacio Lopez de Arriortúa, who defected from GM to become a VW director in March, and the data found in a Wiesbaden house.

Mr Lopez, head of purchasing and production, is at the centre of investigations which now involve two former occupants of the house, Mr Jorgé Alvarez Aguirre and Mr Ramon Piazza. Both men are ex-GM employees who followed Mr Lopez to VW on March 22, after he abruptly left the US group on March 15.

The announcement of the wider investigations came yesterday from Mr Georg Nauth, a senior public prosecutor in Darmstadt. Responding to Mr Nauth, VW issued a statement headlined "No documents found in Wolfsburg" – the company's headquarters.

The response was the second in two days in which the company appeared to distance itself from the employees under investigation. It said the documents had not been found "at the disposal" of Volkswagen.

Four boxes found in the Wiesbaden house contained documents, overhead projection slides and transparencies from Adam Opel, GM's German subsidiary, and the US parent, according to the prosecutor's statement.

Some of the data allegedly related to Opel's secret small car project, codenamed the O-Car. Other information concerned sales strategies, cost-cutting plans and the new-generation Vectra model. Some of the slides and transparencies had been assembled and translated into German at the express wish of "the accused" – Mr Lopez – the statement added.

The prosecutor claimed that, while still head of global purchasing at GM, having already discussed moving to VW with Mr Ferdinand Piëch, the German group's chairman, Mr Lopez asked at GM for translations from English of around 150 slides containing details of future purchasing and manufacturing plans.

Their discovery in the former home of the two one-time Opel managers, both now working for VW, and both of whom have denied having documents, is the link with Mr Lopez which the Darmstadt prosecutors said they were seeking early last week after the contents of the boxes were identified.

In its response to the prosecutor's statement, VW complained that the lawyer defending "the affected employee", who "had again confirmed that no secret Opel or GM documents had been found in his possession", had not been allowed to see the papers.

The prosecutor's statement gave VW no reason to reproach Mr Lopez, the company added.

Earlier this week VW claimed that a civil court ruling in a separate but associated case concerned individuals while they were still employed by GM, and was "not Volkswagen's concern".

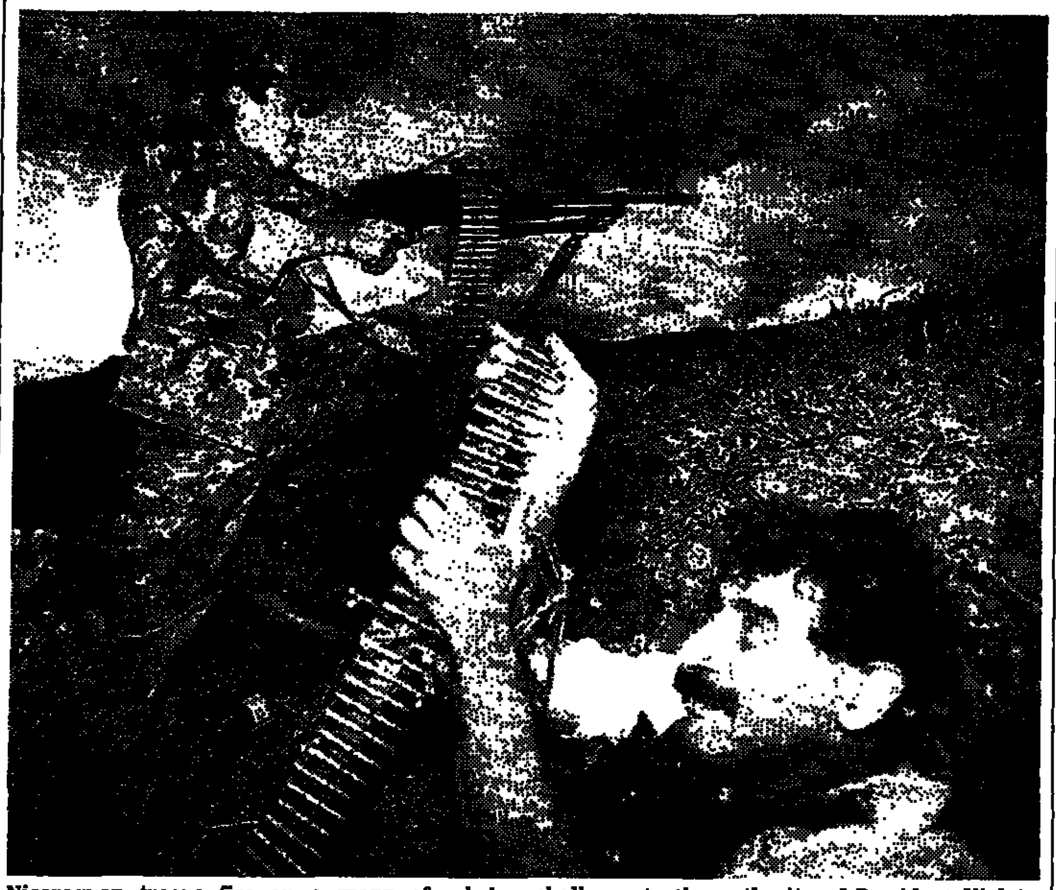
Mr Alvarez, head of VW's global procurement and formerly in charge of purchasing for future projects at Opel, now reports directly to Mr Lopez in Wolfsburg. Mr Piazza, now a member of VW's future projects buying group, was formerly a manager in Opel's general purchasing team.

Although Mr Alvarez was associated with the O-Car project, neither he nor Mr Piazza would have been closely involved with sales strategies, the new Vectra, or cost-saving programmes.

Page 2
☐ Prosecutor statement and reply from VW

Observer .... Page 17
Lex .... Page 18

Nicaragua hits back against rebels



Nicaraguan troops fire on a group of rebels entrenched in a house at Estelí, 100 miles north of the capital Managua. Thirty people were reported dead in fighting which is seen as the most serious challenge to the authority of President Violeta Chamorro. The rebels are leftwing veterans of the 1980s war against US-backed Contras. Page 18
Picture: AP

US Justice Department may pursue Microsoft action

By Wendy Goldman Rohm in Washington and Louise Kehoe in San Francisco

THE US Justice Department may pursue an antitrust action against Microsoft, the world's largest personal computer software company, after the Federal Trade Commission failed to reach a decision on the case after a three-year investigation.

The commission was deadlocked on Wednesday over whether to accept a staff recommendation to issue an administrative complaint against the company – the second time it has failed to agree on the case.

Ms Ann Bingaman, President Bill Clinton's new antitrust chief at the Justice Department, acknowledged interest in reviewing the case. Ms Bingaman said she had not yet seen the Microsoft papers, but said the Clinton administration would pursue a tougher line on antitrust issues than its Republican predecessor.

The case stems from complaints by competitors that Microsoft uses anticompetitive practices to achieve its dominant role in the market.

They allege that Microsoft has attempted to raise false concerns among customers that its Windows program does not work properly with operating system programs sold by competitors. There are also complaints that Microsoft's program licensing methods are designed to exclude competitors.

Microsoft expressed satisfaction at the outcome of the FTC meeting. Mr William Neukom, vice-president of law and corporate affairs, said: "The commission has investigated a number of complaints raised by Microsoft competitors. We are gratified that, after an exhaustive and conscientious review, the FTC has determined that these allegations, regarding Microsoft's business practices, do not justify issuing an administrative complaint."

Novell, Microsoft's chief competitor in the PC software market, said the case remained open, and that no decision had been reached due to the voting deadlock.

But Mr Neukom said the commission's vote should not be characterised as deadlock. "A motion was made to issue a complaint, the motion failed," he said.

However, commission insiders said the FTC refrained from closing the case to allow for the possibility of a trial should the Justice Department decide to take up the matter.

Changes within the commission, such as the possible resignation of commissioner Deborah Owen, who is said to be seeking a new job, could also result in the FTC finishing the case.

A case that doesn't compute, Page 17

Pressure grows on ERM as banks prop up franc

By John Ridding in Paris, and Peter John and Stephanie Flanders in London

PRESSURE on the European exchange rate mechanism intensified yesterday as the Bundesbank intervened heavily to support the French franc while the Spanish, Portuguese and Danish currencies slid down the ERM currency grid.

The franc held its ground, hovering just over a centime above its ERM floor and closing at FFr3.418 against the D-Mark. In late trading in New York it was at around FFr3.4085. The Bank of France did not confirm reports that it was buying francs to prop up the currency, but Mr Christopher Potts, economist at Banque Indosuez in Paris, estimated that the bank had spent up to DM10bn ($5.8bn) yesterday in its attempts to support the currency.

The peseta, which only recently was at the top of the European monetary system ladder, crashed through its ERM central rate of Pta79.11 to reach new lows against the D-Mark, before recovering somewhat to close at Pta79.84. In New York it was around 79.65.

The escudo closed in Europe at 100.25 against the D-Mark, having begun the week at 97.10. In New York it was around 99.94. The Danish krone appeared in danger in early trading yesterday but recovered to close in London at DKr3.8805 against the D-Mark.

Market attention focused on the franc, however, prompting the French central bank to suspend its five to 10 day lending facility, replacing it with overnight funds at the same 7.75 per cent interest rate. The move will make it more difficult for speculators to borrow francs with the intention of selling and repurchasing them more cheaply after any devaluation.

The French authorities also suspended the facility in January, although at that time the overnight interest rate was raised by 2 per cent. Analysts said the battle against the franc had entered a new and more seri-

Continued on Page 18; Lex, Page 18; Editorial Comment, Page 17; Currencies, Page 44

AT&T plans global growth with new management team

By Martin Dickson in New York

AMERICAN Telephone and Telegraph, the US communications giant, yesterday shook up its top management structure to position itself better for global expansion and the convergence of the telecommunications, computer and media industries.

The biggest restructuring of the group's management in several years centres on the creation of a new, seven-member operations team, which will be responsible for running AT&T's businesses around the world.

It will be chaired by Mr Victor Pelson, 56, who is moving from being head of the group's largest business, telecommunications services. He will also become a member of the AT&T board, replacing Mr Randall Tobias, who resigned as vice-chairman last month to become chief executive of Eli Lilly, the pharmaceuticals company.

The team, which may be enlarged later with representatives from AT&T's regional operations, replaces a five-person operations committee, chairmanship of which rotated among the heads of AT&T's business lines.

Mr William Marx, 54, who heads AT&T Network Systems business, which makes capital telecommunications equipment and micro-electronics, will take on additional responsibilities for AT&T's worldwide purchasing and manufacturing planning.

The restructuring also involves new responsibilities for three younger executives regarded as possibilities to succeed Mr Robert Allen, AT&T's 58-year-old chairman, who will reach mandatory retirement age in seven years. They are Mr Alex Mandl, 49, Mr Robert Kavner, 50, and Mr Jerre Stead, 50.

Mr Mandl, who joined AT&T two years ago as chief financial officer, will succeed Mr Pelson as head of communications services. Mr Mandl's replacement is Mr Richard Miller, 52, who was chairman of Wang Laboratories, the financially troubled computer company, for three years until he resigned last January.

Mr Kavner, who is responsible for communications products, which includes equipment for the home and small business, will also head a multimedia products and services group. This means he will lead initiatives between AT&T's various business groups, focusing particularly on the convergence between computing, communications, consumer electronics and entertainment.

Mr Jerre Stead, who was appointed earlier this year to head the group's NCR computer business, will also join the operations team.

Mr Richard McGinn, 46, currently a senior vice-president at network systems, will take over day to day running of the capital equipment side of this business from Mr Marx.

Call for tougher BT rules, Page 8
AT&T rises 8.6% in second quarter, Page 19

CONTENTS

News	**Features**	Crossword 37	FT World Actuaries 44	Traditional Options 23
European News 2	Leader Page 17		Foreign Exchanges 42	London SE 37
International News 4	Letters 17	**Companies**	Gold Markets 36	Wall Street 43,44
American News 3	Management 13	UK 24,25	Equity Options 23	Bourses 43,44
World Trade News 6	Observer 17	Intl. Cap Mkts 23	Int. Bond Service 23	**Survey**
UK News 7,8	Technology 14	Intl. Companies 20-22	Managed Funds 40-42	■ European Building
People 8	Property Market 14	**Markets**	Money Markets 42	and Construction 9-12
Weather 18	Arts 15	Commodities 36	Recent Issues 23	
Lex 18	TV and Radio 15	FT Actuaries 37	Share Information 38,39,44	

Clash over choice of new EBRD chief

By Gillian Tett in London and Robert Graham in Rome

THE backroom battles surrounding the election of a new president of the European Bank for Reconstruction and Development reached new heights yesterday.

The last minute extension of the nomination period has plunged the bank into a potentially damaging diplomatic battle in which the bargaining chips include not only the EBRD presidency but also the location of the European Central bank and a host of other top EC jobs.

Italian officials yesterday claimed that postponement of the deadline had come at the initiative of Mr Jacques Delors, head of the EC Commission, who sought to avoid a damaging row among the 12.

Although the bank itself insists that the decision to postpone for a week was made by Mrs Anne Wibble, chairman of the board of governors, officials within the bank yesterday admitted that Mr Guiliano Amato's surprise entry left the governors embroiled in tortuous last-minute negotiations.

At present, the election for Mr Jacques Attali's successor contains four confirmed candidates – Mr Jacques de Larosière, governor of the bank of France, Mr Amato, the former socialist Italian prime minister, Mr Leszek Balcerowicz, former Polish finance minister and Mr Henning Christopherson, EC economic commissioner.

Until Mr Amato entered the contest, Mr de Larosière was regarded as the leading contender.

The French argued that since Mr Attali had been elected for four years, a French candidate should succeed him, at least for the remaining two years of Mr Attali's term.

The Germans were widely believed to accept this, in exchange for agreement that the European central bank would be sited in Frankfurt.

The British, who previously had French support in locating the EBRD in London, were understood to pose no objection. And though other countries – particularly the East Europeans - were less than happy at the apparent French *fait accompli*, EC officials were keen that the Community should be seen to be presenting a united front.

Last week European finance ministers agreed the Community should endorse one candidate. However, by yesterday it was clear that this attempt at unity was floundering.

Although President François Mitterrand had asked Chancellor Helmut Kohl to support the nomination of Mr de Larosière as EBRD president during informal talks in Germany last Tuesday, Mr Kohl did not commit himself, but instead hinted that if Mr de Larosière were to take over for the remaining two-year term, preparations should also be made for putting into place a successor, possibly Mr Amato.

Meanwhile, according to Italian officials, Mr Ciampi discussed with Mr Amato his willingness to be considered for the EBRD job prior to the Tokyo summit, and then sounded out German Chancellor Helmut Kohl at the summit on the likelihood of an Italian candidate obtaining sufficient consensus.

Faced with this last minute manoeuvring, the governors decided to postpone the the deadline, apparently, according to bank officials, without the knowledge of the Bank's board of directors, who met yesterday to discuss the recent audit report.

Italian officials said the postponement would be used to hammer out agreement on a common candidate endorsed by all EC members.

Reuter

Valley of death: the village of Ljuta, 48km south-west of Sarajevo, goes up in flames as Serbs and Moslems battle for territory

Serb onslaught endangers talks

By Laura Silber in Belgrade

BOSNIA'S vice-president yesterday said the government would boycott the start of renewed peace talks in Geneva after rebel Serbs bombarded Sarajevo, killing at least seven people and wounding 38.

Mr Ejup Ganic, reaffirming the collective leadership's stand, said there was no point joining today's talks in Geneva if Serbs continued offensives against Moslems.

The Serbs renewed their shelling early yesterday morning from positions on the hills surrounding the city, UN officials said. They also reported return fire from the besieged Bosnian defenders

The Bosnian president, Mr Alija Izetbegovic, had pledged to boycott the meeting if Serb forces continued their assault on the city. International mediators have been stepping up pressure on Mr Izetbegovic to take part in the republic's three-way ethnic partition. The Moslem-led government has made clear that it believes the partition will turn into a two-way carve-up between Serbia and Croatia. Mr Radovan Karadzic, the Bosnian Serb leader, and General Ratko Mladic, the commander of Serb forces, have said the Moslems may be left with nothing if they continue to reject the republic's partition.

But the ongoing Serb onslaught and the intensified pressure on the six remaining Moslem enclaves proclaimed as "safe areas" have heightened the belief that neither the Serbs nor the Croats plan to hand over territory or make agreements which create a viable Moslem state.

UN observers say the "safe areas" are "giant refugees camps" with little chance of long-term survival.

UN monitors yesterday confirmed reports that regular units of the Croatian army were fighting across the Bosnian frontier in Mostar, the south-western city. The UN Security Council and the European Community have repeatedly warned Croatia they could face punitive sanctions if they continued to back the violent carve-up of Bosnia.

Croatia, in particular its powerful defence minister, Mr Gojko Susak, who controls Croat policy in Bosnia, has ignored international warnings and denied that Croatia has despatched its troops. Bosnian radio reported two battalions of the Croatian Army were helping to try to seize control of Mostar.

The Yugoslav government yesterday devalued the dinar by more than 80 per cent to help deal with a sanctions-related economic slump and soaring inflation, Reuter reports.

The new rate was set at 13.6m dinar per dollar, up from 2.4m. That represents a fall of 82.35 per cent in the dinar's value against the US currency and it was the eighth dinar reduction since April 1992. The deputy prime minister, Mr Jovan Zebic, announced the devaluation shortly after the flourishing black market exchange rate for the dollar peaked at 15.5m dinars, around 12 times more than the largely meaningless official rate.

Second legal setback for VW

The announcement yesterday from the prosecutors investigating Volkswagen's industrial espionage dispute with General Motors was the second legal blow to the German company this week.

On Tuesday, a court in Hamburg lifted a gagging order requested by VW and ruled that Der Spiegel news magazine could repeat allegations of industrial espionage against its production chief, Mr José Ignacio de Lopez de Arriortúa.

Darmstadt prosecutor

The statement issued yesterday by the Darmstadt prosecutor:

Investigative proceedings have now been opened, in addition to those against Mr Lopez and Mr Gutierrez, against two other former employees of Opel AG who also moved to Volkswagen.

On 22.06.93 four boxes of documents located in a property in Wiesbaden Breckenheim were made available to the Wiesbaden police. The two former employees of Opel AG against whom preliminary proceedings have also been initiated, lived there. In addition to papers the boxes contained files, overhead transparencies and slides.

Examinations so far show that these are documents from Adam Opel and General Motors.

In the meantime, some of the documents have been evaluated and clarified by extensive examination of witnesses. According to this it would seem that the documents handed over contain data from the technical development centre of Adam Opel and are also related to the small car project (O-car). These documents were only available to top representatives of the management. The documents also included sales strategies, cost savings and information about the new Vectra.

Some of the overhead projection transparencies and photographic slides were (allegedly) assembled, and translated into the German language, at the express wish of the accused, Mr Lopez. The investigation will continue, with special attention to witnesses from VW.

Reply from Volkswagen

Excerpts from the statement issued by Volkswagen:

1. This statement confirms that the investigation relates to documents which were not at the disposal of Volkswagen AG.

2. Volkswagen AG cannot comment on details of the press release issued by the Darmstadt Public Prosecutor's Office. Despite numerous requests to inspect the contents of the boxes, to date the defence counsel of the affected employee, who has again confirmed that no secret documents of Opel AG or General Motors Corporation had been found in his possession, has been denied access. The conduct of the Public Prosecutor's Office has thereby prevented the employee from giving his views on the contents of the box.

Evidently the Public Prosecutor's Office can only base its assessment of the contents of the boxes on information from Adam Opel AG/GM Corporation, which makes it completely one-sided.

3. The comments of the Public Prosecutor's Office that Mr Lopez had part of the documents translated into German is easily explained: managers who operate on a global basis naturally have talks and presentations translated into the local language.

The press release by the Public Prosecutor's Office does not give Volkswagen any reason to reproach Mr Lopez.

Christian Democrats seek path to salvation

By Robert Graham in Rome

THE fate of Italy's discredited Christian Democrat party will be decided at a four-day special assembly starting today.

Devastated by the nationwide corruption scandals, divided by internal squabbles and flabby from 45 years enjoying the spoils of state, the party faces further fragmentation unless it can incorporate the best of its Catholic traditions in a new reformist party.

The party may, however, be beyond recovering its electoral appeal and traditional role in the centre of the Italian political spectrum.

With the encroachment of the populist Lombard League in the north and the continued strength of the former communist party of the Democratic Left (PDS) in central Italy, the Christian Democrats will have to fight hard to remain a national party. The party also has to find a raison d'être to replace its traditional cold war role as an anti-communist alliance. On the economic front, the party swings between free market aims and nostalgia for a strong state presence, summed up by the slogan at the assembly: "No to state capitalism but no to capitalism without the state."

Invitations to the assembly have been carefully vetted. All parliamentarians who have received notice from magistrates for alleged corruption and other serious crimes have been excluded. This has effectively disqualified the old party barons. Mr Giulio Andreotti, active in the formation of the party in 1942, and the Christian Democrat politician who has held office the most, has not been invited.

Mr Mario Segni, leader of the referendum movement who three months ago left the party after 16 years, has been invited but declined to attend.

In all there will be 45 deputies, 15 senators and 10 European MPs, plus special guests. The main confrontation is expected to be between Mr Mino Martinazzoli, the party leader since October 1992, and Ms Rosi Bindi, the deputy from the Veneto. Mr Martinazzoli sees the party as a leaner organisation aiming for the centre ground, redefining its role with the church but remaining strongly Catholic and Liberal/Social Democratic in political inspiration.

Ms Bindi claims the party has failed to clean itself up quickly enough and remains too influenced by the old guard. Aware of the success of the League in her home territory, she sees a new "popular party inspired by Christian ideals whose priority is beating the League". But in areas such as Naples or Rome, where the League does not count, such a strategy is too narrowly focused.

She has already formed in the Veneto a Popular party (a party of this name was dissolved by Mussolini in 1926 but provided the inspiration for the Christian Democrats) and is ready to go her own way. If she does, the Christian Democrats will either splinter or become more regionally rooted.

Brussels acts over state subsidies

By Lionel Barber in Brussels

THE European Commission yesterday acted on more than $200m (£133m) of state aid to industries in Italy and Austria.

In separate decisions, the Commission recommended the withdrawal of favourable EC tariffs for two motor plants and a television factory in Austria, involving General Motors, Steyr Nutzfahrzeuge, and Grundig respectively.

It also banned payment of $120m of Italian government subsidies to Cartiere de Garda, a paper company in northern Italy owned by Bertelsmann, the German publishing empire.

The Commission's decisions reflect the tough line on state aid adopted by Mr Karel van Miert, the Belgian commissioner responsible for competition policy. In the Austrian cases, the Commission made clear that it could soften its recommendation to the Council of Ministers if Austria responded by offering to cut subsidies.

The Austrian decisions are controversial because they come in the middle of negotiations on accession to the EC. The cases all involve products which are competing with EC industries.

- State aid amounting to 15 per cent (Ecu48.9m) of an Ecu324.2m (£245m) investment in a General Motors Austria plant making cylinder heads and gearboxes at a plant at Aspern, near Vienna.
- A 15.1 per cent subsidy (Ecu24.3m) for rationalisation and extension of a plant making heavy vehicles at Steyr, most of which would be exported to the EC. The total investment is valued at Ecu162.9m.
- State aid amounting to 10 per cent (Ecu7.25m) for an Ecu72.5m investment for rationalising production of television sets at a Grundig plant in Vienna.

The Commission decision on the Cartiere case followed comments from the French, German and British governments, a British paper manufacturer and an Austrian industrial federation.

NEWS IN BRIEF

Russia's budget threatens reforms

RUSSIA'S parliament yesterday approved a new 1993 budget with a soaring deficit that could wreck government efforts to control the money supply and 750 per cent annual inflation, Reuter reports from Moscow.

The parliament, with a free-spending reputation and packed with deputies opposed to President Boris Yeltsin's reforms, relaxed the purse strings with projected spending of Rbs44,700bn (£30bn).

This dwarfed expected revenues of Rbs22,300bn and will produce a deficit of Rbs22,400bn, up from an earlier Rbs8,500bn target.

Parliament also passed a new law placing the central bank firmly under its control.

González ally forced to quit

The drive by Mr Felipe González, the Spanish prime minister, to clean up his Socialist party's image claimed its first victim yesterday when a leading party figure resigned over his connections with a group of construction companies, writes Tom Burns in Madrid.

The resignation of Mr José Maria Mohedano as secretary general of the socialist parliamentary party has considerable novelty value in Spain, where hitherto serious corruption allegations have had only limited political consequences. Mr Mohedano said he had resigned in order not to "damage the party's image" and stressed that his conduct as a legal adviser to disgraced real estate promotor, Mr José Luis Gomez-Pinto, had been strictly professional.

Greeks move on privatisation

The Greek government yesterday removed obstacles to private sector construction and operation of power stations, despite objections from rebellious deputies in the ruling New Democracy party, writes Kerin Hope in Athens. Workers at Deh, the state-owned power corporation, called a 48-hour strike in protest against the new law.

Dutch to open telecom lines

The Netherlands plans to liberalise its telecommunications infrastructure in 1995 by allowing the country's railway company, cable television companies and electricity utilities to lease their lines and cables to business customers, writes Ronald van de Krol in Amsterdam. The use of the lines will be limited to data communication and to "closed user" networks, as in the case of internal communication between a company's offices around the country.

UBS chief cleared on pay-offs

The Swiss Federal Banking Commission has exonerated Union Bank of Switzerland, the country's largest bank, on charges that its chairman, Mr Nikolaus Senn, assisted political pay-offs to the Italian Socialist party, writes Ian Rodger in Vienna. UBS said it had received a letter from the commission confirming that nothing improper or illegal had been done.

Official fears impact on foreign investors

Hunger strikers warned

By Judy Dempsey in Berlin

THE struggle between the Treuhand, the agency charged with privatising eastern German industry, and hunger striking potash miners could influence the pace of investment in eastern Germany, a government official said yesterday.

The issue at stake is the future of Bischofferode potash mine in the eastern state of Thuringia, where, for the past 23 days, 40 miners have been on hunger strike in a bid to prevent the mine closing.

The miners insist Bischofferode should not be sacrificed to facilitate the merger of the potash industry in western and eastern Germany. The Treuhand this month completed the merger of the east German Mitteldeutschen Kali mines with its western counterpart, Kali + Salz, a subsidiary of BASF, in a bid to made the industry more competitive, reduce capacity, and at the same time, save five of the remaining potash mines in eastern Germany.

Since then, 40 of the 700 miners at Bischofferode have been on hunger strike, despite a recent compromise offer by the Treuhand, the federal government and the authorities in Thuringia to keep the mine open until December and guarantee the jobs for a further two and a half years. The miners have rejected this, saying they want the mine to be kept open permanently, even though it is one of the most inefficient in the region.

Yesterday, following talks with miners' representatives, the Treuhand, the chancellery and the government said the merger of Mitteldeutschen Kali and Kali + Salz would go ahead, and its commitment to pay the workers at Bischofferode until late 1995 would be honoured. "There is a danger that the continuation of the hunger strike would worsen the investment climate in a region where investment is urgently needed," said Mr Friedrich Bohl, Mr Helmut Kohl's chief of staff.

Government officials fear that if the Treuhand gives into the strikers' demands, a precedent will be set for other miners to use the strike weapon to prevent the closure of other unprofitable pits. However, if one of the strikers were to die, opposition to the Treuhand's plans to conclude the privatisation of the two giant brown coal fields at both Mibrag and Laubag, as well as the energy sector, would increase.

The miners at Bischofferode are supported by the Party for Democratic Socialism, eastern Germany's former communist party. However, the local trade unions have supported the government's compromise, saying there is no other reasonable solution.

German business confidence grows

By Ariane Genillard in Bonn

BUSINESS confidence is improving among German managers, who see the recession as bottoming out, according to a report by Ifo, the Munich-based economic institute.

The study, which each month questions 500 managers in Germany's largest companies, says the business community is now less pessimistic over prospects for the German economy. An increasing number of businessmen think that economic activity has reached its lowest level and will not decline further in the next six months, the report says.

Industrial orders in June remained at the same level as the previous month, arresting this year's downward trend. However, Ifo notes that production cuts will continue as German industry faces low domestic demand and continuing restructuring.

The report says unsold stocks remain high and businessmen expect prices to fall in coming months.

The outlook differs in various sectors of the economy. In the chemical sector, export-driven growth is expected because of the strong dollar. Machinery producers remain pessimistic about the domestic market but also say that export possibilities will increase in coming months. Similar views are expressed in the motor industry.

Exceptions are found in the construction industry and in retailing in western Germany. Both say low domestic demand will continue to affect their businesses. However, their counterparts in eastern Germany say business is picking up and are optimistic over the future market potential.

Growth in purchases by pharmacies in western Europe drops sharply

Health service reforms hit sales of drugs

By Paul Abrahams

DRUG sales in western Europe were virtually stagnant during the first five months of the year, following health care reforms in Italy and Germany earlier this year.

Sales to pharmacies in the seven largest markets in the five months to May fell from $20.727bn last year to $19.422bn, although after excluding exchange rate changes they increased 0.9 per cent.

That compares with 8 per cent growth for the whole of last year. The seven countries represent about 85 per cent of west European sales.

The German market fell from $5.797bn last year to $5.18bn after the introduction of reforms in January. The decline in local currency terms was 11.1 per cent.

Italian sales were also affected by reforms which took effect in April. Revenues dropped from $4.708bn last year to $3.704bn. In lira terms, the fall was 1.8 per cent.

The French market, Europe's largest and the world's third biggest after the US and Japan, continued to rise. Sales were up from $4.846bn to $5.181bn, an increase of 6.5 per cent in local currency. Modest health care reforms are in the process of being implemented and a more comprehensive package is expected next year.

The growth of the UK market continued, up 11.6 per cent in local currency terms, although in dollar terms it fell from $2.162bn to $2.045bn. A package is expected to be introduced to control the increase in the UK's national health service drugs bill.

Spanish sales continued to grow fast, up 13.6 per cent excluding exchange rate factors, but down in dollar terms from $2.017bn to $1.996bn. The Belgian market increased from $614m to $650m, a rise of 5.8 per cent in local currency terms. The Dutch market increased from $583m to $666m, a rise of 13.4 per cent excluding exchange rate changes.

The largest therapeutic category remained cardiovascular medicines, although this market fell by 3.1 per cent from $4.609bn to $4.201bn. Doctors in Germany are understood to have been prescribing cheaper heart drugs.

Sales of alimentary and metabolism treatments, which include anti-ulcer drugs, increased 0.1 per cent excluding exchange rates, although in dollar terms they declined from $3.497bn to $3.262bn.

In local currency terms, sales of central nervous system medicines were up 3.9 per cent, antibiotics and anti-virals rose 8.8 per cent, and respiratory treatments such as asthma medicines increased 5.6 per cent.

All figures include purchases by pharmacies, representing about 80 per cent of total drugs sales. They exclude end-users such as hospitals.

Drug purchases by pharmacies in western Europe Jan-May 1993

Country	Total purchases†	Growth*
France	5,181	6.5
Germany	5,180	-11.1
Italy	3,704	-1.8
Spain	1,996	13.6
UK	2,045	11.6
Belgium	650	5.8
Netherlands	666	13.4

*Excluding exchange; per cent † $million

Source: IMS International

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Thunderstorms threaten Mississippi states

By George Graham in St Louis

HEAVY thunderstorms swept through Missouri and Illinois yesterday morning, putting new strains on the already waterlogged barriers holding back the Mississippi and its swollen tributaries.

Weather forecasters predict five more inches of rain over the next three days, and see no sign of a break in the weather system that has stubbornly anchored itself over the Midwest.

The Mississippi reached a crest this week at 47 feet on the St Louis depth gauge, nearly four feet higher than the previous record reached in 1973, but five feet short of the top of the city's 11-mile long floodwall.

Hydrologists and weather forecasters believe that the river really has crested, despite the continued rain, but they warn that it could take weeks before it drops below flood stage.

"It looks like a three-tenths of a foot drop per day. We are now 17 feet above flood stage so it could take six or seven weeks to get back down," said Mr Joe Schwenk of the Army Corps of Engineers in St Louis.

As the water moves steadily downstream, records are being set in towns as far south as Cape Girardeau, but no more than slight flooding is expected south of Cairo, Illinois, where the Mississippi is joined by the Ohio River.

Rainfall in the Ohio basin has been below normal this year.

For river users, this year's flooding has been not just higher but more prolonged than in previous years.

"This is a flood which really started back in April," said Mr J. Thomas Dunn, general manager of Gateway Riverboat Cruises, the oldest excursion boat company on the Mississippi.

High water in April stopped Gateway's operations for five weeks, and the river never dropped much more than five feet below flood stage before rising again at the end of June.

Mr David Lane, of Canal Barge Company in New Orleans, warns that even though he has been told river traffic can resume at 38 feet, 8 feet above flood stage, it will be a long time before operations get back to normal.

New shoals will have formed, navigation buoys will have been washed away, and barges will probably have to travel at reduced speeds to avoid endangering already weakened levees with their wakes.

"Waiting for it to come down is just the beginning of it," says Mr Lane, whose company has managed to divert traffic for one customer up the Ohio River but has otherwise had to halt its operations on the river.

In normal times the Mississippi carries around 15 per cent of all freight in the US, but an estimated 2,000 barges and 50 tugs are now tied up by the flooding.

Ontario appeal for HIV tests

By Bernard Simon in Toronto

THE Ontario government has urged any of the province's 9m residents who had a blood transfusion between 1978 and 1985 to be tested for the HIV virus. The warning stems from the growing number of cases which have come to light of people who were infected with the virus before blood was screened closely for it.

Mrs Ruth Grier, the province's health minister, estimated tests could involve tens of thousands. The chief medical officer has written to all doctors in the province.

Toronto's Hospital for Sick Children has identified at least five HIV-positive cases since issuing a similar call earlier this year for patients who received blood transfusions in the early 1980s. None of these patients has so far developed Aids symptoms.

Canada began enforcing heat-treatment of blood products, which kills the HIV virus, in November 1985. However, allegations have been made that the government and the Red Cross, which collects blood donations, delayed the heat-treatment regulations.

A Canadian television documentary claimed earlier this week that the Red Cross continued to stock blood products that had not been heat-treated for several months after warnings by the government that reliance on these products "cannot be justified".

The federal government offered compensation packages of C$120,000 ($94,000) in 1989 to any haemophiliac or hospital patient who contracted HIV through a blood transfusion.

So far, about 940 people, including 266 blood-transfusion recipients, have qualified for the payments. Any recipient is required to waive future legal claims against the government. Several provinces have also agreed to pay compensation.

Clinton has talks with exiled Haiti president

By Nancy Dunne in Washington

PRESIDENT Bill Clinton yesterday met Haiti's exiled president, Fr Jean-Bertrand Aristide, to discuss plans to return him to power, saying: "There's a major potential for a victory for democracy." Mr Clinton was expected to announce US participation in an international force to help retrain Haiti's army and work on military construction.

Fr Aristide, due to return to office on October 30, is expected to name Mr Robert Malval, a respected businessman and a centrist, as his prime minister.

Castro looks to the dollar for help

Legalising foreign exchange aimed at saving economy, writes Damian Fraser

FOR 30 years no Cuban has legally possessed a US dollar or any other foreign currency because of a law as much an instrument of economic control as defiant symbol of Cuban nationalism.

But with the economy in ruins and recent measures at resuscitating it having failed, President Fidel Castro is looking for salvation from the former enemy. His government is set to legalise the possession of all foreign currency, perhaps his most significant market economic reform yet.

Mr Castro first aired the proposal at the end of last month before the Cuban parliament. Last week Mr Carlos Lage, the reform-minded minister in charge of the economy, made it official. He told visiting foreign businessmen that new laws legalising possession and use of dollars would soon be presented to parliament.

Currency convertibility is being proposed partly in the hope that it might encourage the 1m Cuban-Americans to send hundreds of millions of dollars a year to impoverished relatives in Cuba. Under US law, an American citizen can send a relative in Cuba up to $300 (£200) a quarter.

But the political consequences would be far-reaching. While Cubans are increasingly using dollars as the only currency of value, and buying goods with it on the black market, the proposed reform would cause the government to cede control over the distribution of wealth. A Communist party *apparatchik* may find himself worse off than a dissident with generous donors in Miami.

Associated Press

Daniel Ortega, former Nicaraguan president, left, Fidel Castro, and Cuauhtémoc Cárdenas, leader of Mexico's Revolutionary Democratic party, at a gathering of leftist leaders in Havana this week

The details of the law have still to be made public. Still, Mr Lage told foreign journalists that they would have an "undeniable social impact, giving certain persons independence and access to goods, and create divisions that have not been customary since the revolution".

Cuban officials accompanying the visiting businessmen earlier sketched out a scheme where a Cuban would swap the donated dollars for dollar vouchers, with which he could buy goods in "dollar shops", while giving the government much needed foreign currency. As long as such dollar shops offered fair prices, the black market would lose much of its point.

Eventually the so-called parallel market in non-rationed goods, which closed in 1991 because of the economic crisis, might open again with all transactions carried out in dollars. The reforms, as one European diplomat commented in Havana, would constitute a necessary step in creating market prices for all non-rationed goods.

With prices pegged to dollars in the parallel (non-rationed) market, it is likely the peso would be devalued from the official rate of one to one. Even now, because of an informal "dollarisation" of the economy, one dollar buys 60 pesos in the black market.

At this exchange rate, the typical monthly salary now buys between $2 and $4 – or two to four bottles of cooking oil on the black market.

With peso salaries worth so little, the government might come under pressure to liberalise wages and allow workers, such as farmers, to sell some of their goods freely. While Mr Lage said wages would not be set in dollars, he pointedly did not exclude a return to the free market in some farm products that existed for a while in the mid-1980s.

He said the latest economic opening "was not part of a definite or final end but part of an on-going process".

The willingness to legalise the dollar and risk the political costs is a measure of the dire state of the Cuban economy and of the failure so far of a limited economic opening to improve conditions. The overtures to foreign capital are believed to have brought in just $500m over the past couple of years, according to Mr Andrew Zimbalist, a Cuba expert at Smith College, Massachusetts. This is a fraction of the annual aid and subsidies Cuba used to receive from the former Soviet bloc.

Since the collapse of the Soviet bloc in 1989, the Cuban economy is reckoned to have shrunk by about half, while imports have fallen from $8.1bn to $2.2bn last year. This year the economy is likely to be reduced by another 10 per cent, says Mr Zimbalist, in part because of this year's wretched sugar crop, which is forecast at 4.2m tonnes, 40 per cent down from last year.

While the disintegrating economy has yet to provoke signs of overt and organised opposition to Mr Castro, daily life is becoming increasingly difficult. Electricity blackouts from anything up to eight hours are common, Havana residents often wait three hours for a bus, and basic necessities such as soap and cooking oil are unavailable in shops for weeks at a time.

The lack of spare parts and energy means most factories are closed, as attested by thousands of people roaming Havana streets in working hours apparently with nothing to do. A recent outbreak of more than 45,000 cases of a neural disease that can cause blindness has been attributed in part to malnutrition.

Ex-BNL manager to face fewer charges

By Alan Friedman in New York

THE Clinton administration is planning to reduce drastically the number of charges in its indictment of Mr Christopher Drogoul, the former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro accused of making $5bn of illegal loans to Iraq.

The Justice Department's formal court filing of the new indictment, which is expected to eliminate as many as 275 of the 347 counts, could come as early as today. Judge Ernest Tidwell, who will preside over the Atlanta trial which begins on September 8, was informed of the change by prosecutors last week.

Officials involved in the long-running BNL case say many of the charges about to be dropped appear to relate to allegations that Mr Drogoul misled the US government about the loans. If this is so, it would amount to a tacit admission that at least some US government agencies had knowledge of the Iraqi loans.

The BNL indictment, first brought in February 1991, charged Mr Drogoul with false statements to bank regulators, money laundering, defrauding BNL's Rome headquarters and misleading the US government.

The Justice Department has yet to address the issue of BNL loans being used to fund US and European companies that contributed to Iraq's missile, nuclear and chemical weapons projects.

Controversy has dogged the case for two years and Democratic allegations of a cover-up by the Bush administration were made during last year's presidential election campaign.

Former president George Bush recently received a subpoena from Mr Drogoul's lawyers to testify in the trial.

In a related development, it has been learned that the US Federal Reserve, which has re-opened its BNL investigation, is planning to question bank officials in Rome next month.

Trial begins of LDP's former godfather on charges of tax evasion

Kanemaru lodges not guilty plea

By Robert Thomson in Tokyo

PUSHED into the courtroom in a wheelchair, Mr Shin Kanemaru, the once all-powerful godfather of the ruling Liberal Democratic party, yesterday sat calmly through the first day of what is seen as the trial of the traditional Japanese way of politics.

Mr Kanemaru, 78, pleaded not guilty to evading Y1.037bn ($9.54m) in taxes due on funds raised from the construction and other sympathetic industries that prosecutors say were for personal use.

However, Mr Kanemaru claims that the money was needed to realise his "cherished dream of political reform."

Raids on Mr Kanemaru's home and office uncovered a remarkable Y5bn haul of gold bars, bank debentures and cash, part of the assets used to maintain his position as the LDP's pre-eminent power broker, fixing political disputes and backing loyal MPs. He suggested the funds were "tokens of gratitude" from enthusiastic supporters.

Prosecutors intend the case to be a warning to other politicians and their corporate donors.

Related investigations have already led to the resignation of a provincial mayor and the arrest of executives at four leading construction companies for alleged bribery.

Mr Kanemaru is alleged to have accumulated Y1.842bn of taxable funds from 1987 and to have concealed the money through the purchase of difficult-to-trace bank debentures. Money is to said to have been hidden in his bedroom.

The trial of Mr Kanemaru and his former secretary, Mr Masahisa Haibara, 49, alleged to have evaded Y307m in taxes, comes in the middle of a debate on reform of a political system prone to scandal.

Typical of Japanese procedure, the case will be drawn out, with the next sitting scheduled for September 7.

An unusual confession last year from Mr Kanemaru that he had received Y500m in illicit funds from a trucking company, Sagawa Kyubin, set the case in motion after public anger that prosecutors then showed unusual tolerance in allowing him to draft a statement from the comfort of his home.

Sensing their reputation had been tarnished, the prosecutors began a far tougher investigation into his finances and his well-known links with the construction industry, an important source of LDP funds.

The prosecutors' opening statements yesterday did not implicate other leading politicians, but it is expected that the case will prove extremely embarrassing for politicians close to Mr Kanemaru, including Mr Ichiro Ozawa, who has since left the LDP to form the Japan Renewal party.

Associated Press

Protesters demanding firm action over tax evasion carry the message "Cheer up, Tokyo District Public Prosecutor's Office – the nation is with you" outside the court before the first trial hearing yesterday of Mr Shin Kanemaru, the former LDP godfather

Mieno expects recovery to be weak

By Robert Thomson

MR YASUSHI MIENO, governor of the Bank of Japan, yesterday forecast a weak economic recovery late in the year, toning down the bank's previous forecasts of a "mild" recovery in coming months and stirring expectations of a cut in official interest rates.

The Bank of Japan has yet to concede that the weakening economy has hit bottom, but the more optimistic Economic Planning Agency yesterday suggested that "signs of recovery" were already emerging, based on an increase in public spending from a stimulatory package in April.

Officials at the bank and the EPA admit that the package has done little to stimulate personal consumption and capital spending, cited as causes of the unexpectedly long downturn and of the bank's increasingly gloomy outlook for recovery.

A spate of indicators this week suggests that the economy turned down again in May after appearing to have touched bottom. For the first time in four months, the EPA's index of leading indicators fell below the 50 per cent line between "boom and bust," while household spending was down 1.8 per cent.

Japanese government officials are concerned that the yen's rapid appreciation and political instability are undermining prospects for recovery.

There are doubts about the ability of the Liberal Democratic party, which has lost its parliamentary majority, to push through measures such as income tax cuts.

Political instability has prompted Japanese businesses to turn to the Bank of Japan, which is resisting calls for the official discount rate to be cut from 2.5 per cent to 2 per cent, arguing that the present level is not a barrier to economic recovery.

Meanwhile, Mr Mieno told a conference of regional bankers they must continue to confront their growing pile of non-performing loans and attempt to improve asset quality.

He has encouraged banks to deal with the problem more quickly than the Finance Ministry, which again yesterday suggested that the loans be written off in the "longer term".

Mieno: cautious forecast

Baghdad weapons accord spelt out to UN

By Michael Littlejohns, UN Correspondent in New York

IRAQ has finally agreed to on-going United Nations monitoring and verification of its nuclear, chemical, biological and heavy weapons capability in a bid to have sanctions lifted, the Security Council was informed last night.

After five days of negotiations in Baghdad, Mr Rolf Ekeus, head of the UN weapons inspection commission, reported the accord and disclosed that high-level technical talks on its implementation would begin in New York at the end of August.

Meanwhile, a UN technical team was due to go to Baghdad today to mount surveillance cameras at two missile sites that were at the centre of a tense confrontation between the UN and Iraq, which had refused until this week to permit such installation.

The cameras will not be activated immediately and that question will be among those to be discussed in the forthcoming negotiations.

However, Mr Tariq Aziz, the Iraqi deputy prime minister, provided what Mr Ekeus termed explicit assurances of "adequate notice" prior to any test firings and to facilitate inspections whenever and as often as the commission deemed necessary.

At a press conference, the UN official voiced confidence that his inspectors would soon learn of any Iraqi attempts to fire rockets, even those up to a range of 150km permitted under the ceasefire resolution, let alone rockets above that limit.

In response to Iraq's request for the lifting of sanctions in return for its co-operation, he had undertaken to report to the Security Council if and when Baghdad was in full compliance with all of the provisions relating to weapons.

He noted that the imposition of the oil embargo was linked directly to those provisions. Still, it would be for the Council to decide how to respond.

The US and Britain are said to want to insist that Iraq first observe the resolutions concerning human rights, including those of the Kurds and Shias.

Guerrillas in new offensive against Israel

By Roger Matthews, Middle East Editor

THE danger of a big military confrontation in south Lebanon increased sharply yesterday after Iranian-backed guerrillas launched a new offensive against Israeli positions and those held by their local allies.

At least one Israeli soldier died in the attacks launched by Hizbollah, the Lebanese Shia militia, and by the radical Palestinian faction, the Popular Front for the Liberation of Palestine-General Command, headed by Ahmed Jibril.

They attacked several positions within Israel's self-declared security zone in south Lebanon using artillery, rockets and heavy machine gun fire.

Several members of the South Lebanon Army, financed and armed by Israel, were also reported to have been wounded in the attacks.

Israel has reinforced its presence in the south of Lebanon during the past 10 days in response to Hizbollah attacks on July 8 and 9 which cost the lives of five Israeli soldiers. Lt. Gen. Ehud Barak, the Israeli army chief of staff, warned this week that an attempt to wipe out guerrilla bases would be inevitable if the attacks did not cease.

Mr Mohsen Dalloul, Lebanon's defence minister, responded that the entire country would be mobilised if it faced a large-scale invasion.

"We will not stand idly by in the face of aggression. We shall fight with all means at our disposal," he said in an interview on Voice of Lebanon.

Damascus radio has also warned that an attack on Lebanon would be considered as aggression against Syria.

Israel hit back against yesterday's attacks with artillery fire and helicopter gunships were in action against suspected guerrilla positions.

The fighting comes at a delicate moment in Middle East peace negotiations, with Mr Warren Christopher, the US secretary of state, planning a visit to the region later next week in an effort to persuade all parties to resume negotiations in Washington next month.

Hizbollah and its Palestinian allies in south Lebanon are opposed to the peace process which they believe will only result in a formal capitulation to Israeli occupation of Arab territory.

Egypt and IMF in accord on debt relief deal

By Mark Nicholson in Cairo

EGYPT and the International Monetary Fund have agreed on a draft letter of intent for a three-year extended fund facility which would trigger the debt relief of about $3bn (£1.98bn) owed to the Paris Club of creditor nations, and which charts the next phase of the country's structural adjustment reforms.

The letter sets the terms for Egypt's second agreement with the fund since it resumed relations with the agency in 1991. The proposed reforms will make the country's progress towards a more open, free-market economy "irreversible", Mr Abdel-Shakour Sha'alan, director of the fund's Middle East department, said in Cairo.

The letter will go before the fund's board for final approval at a meeting scheduled for September 17.

Board approval is expected to depend on Egypt first taking a series of measures on tax and trade liberalisation.

Approval would then lead to the relief of 15 per cent of Egypt's outstanding Paris Club debt, as it stood in May 1991 when Egypt struck its first IMF agreement, and an accord with sovereign lenders to tie debt relief to progress on economic reforms.

Fifteen per cent of the total debt – which then stood at more than $20bn – was written off in July 1991 and Paris Club creditors have said further 20 per cent will be relieved if Egypt satisfies the terms of a this second IMF agreement.

Under the first accord, Egypt cut its budget deficit to 3.5 per cent of GDP from 20 per cent, halved inflation to 12 per cent, liberalised exchange and interest rates, freed prices, eased import restrictions and began to cut tariffs.

Mr Sha'alan said inflation under the proposed second agreement was set to fall to 7-8 per cent, with the budget deficit falling to about 2.5 per cent of gross domestic product, largely through increases in tax coverage.

He said Egypt was unlikely to draw on the $600m credit attached to the new facility, given the accumulation of hard currency reserves of about $16bn during the previous agreement.

"If we continue with the reforms for three years, I can imagine the economy growing at 5 or 6 per cent annually," Mr Sha'alan told Al-Ahram newspaper yesterday.

That, however, will depend on Egypt having more success with structural reforms than it has had with fiscal and monetary changes.

Economic growth is at present flat, thanks partly to the effect on tourism of recent terrorist attacks but mostly to Egypt's sloth in revitalising the private sector and reforming loss-making public sector industries.

Egypt's privatisation programme is well behind schedule, mired in bureaucratic complexities and political fears about the social effects of unemployment.

The new agreement would set targets for the number of public-sector companies Egypt should bring to the point of sale – but the government has so far sold only a handful of the 85 companies and assets slated for sale under the first agreement.

Beijing acts to rein in speculators

CHINA yesterday ordered its military to stop using public funds to gamble in property and foreign exchange trading, Reuter reports from Beijing.

An order from the Central Military Commission, published in all the main newspapers, demanded that illegal uses of funds should be investigated and the culprits punished.

The attempt to rein in speculative fever in the military came as Vice Premier Zou Jiahua promised stern measures to crack down on real estate speculation throughout the country that has caused heavy losses to the state.

The Ministry of Justice joined the campaign to restore economic order, forbidding lawyers from giving professional advice to "illegal fund-raising" activities, including unapproved stock and bond issues. China is trying to reassert control over an economy that is overheating – growth is at nearly 14 per cent a year and inflation in large cities is more than 20 per cent.

"Military funds must not be put into personal savings accounts," the Central Military Commission order said. "It is strictly forbidden to speculate in foreign exchange."

The military commission, which commands the 3m-strong People's Liberation Army, ordered an end to expensive projects that have nothing to do with defence.Real estate speculation has turned much of China's countryside into a building site and sent the costs of raw materials soaring.

Fears over China's drive to modernise armed forces

By Victor Mallet in Singapore

SINGAPORE yesterday voiced Asian concerns about China's drive to modernise its armed forces and reassert its claims to the disputed Spratly islands, as foreign ministers arrived in Singapore for a meeting likely to endorse the creation of a new forum to discuss regional security.

Mr Wong Kan Seng, the Singapore foreign minister, had talks with Mr Qian Qichen, his Chinese counterpart, on the eve of a ministerial meeting of the six-member Association of South-East Asian Nations (Asean) ahead of Asean's annual talks with its trading partners next week.

According to a Singaporean statement, Mr Wong told Mr Qian that "some countries were concerned about China's military modernisation and its possible impact on China's position on the Spratlys. Mr Wong hoped China would reassure such countries of its peaceful intentions and said regional security dialogues were one important means of building confidence."

The Asean members – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – have been alarmed by recent Chinese attempts to assert control over all the islands in the South China Sea, including those claimed by Asean states and by Vietnam.

Both China and the Asean countries are anxious to protect their fast-growing economies from political instability, and both parties say they are willing to engage in security talks.

Details have yet to be finalised, but some Asean officials say a forum will be established to include Asean, its existing "dialogue partners" (the US, the EC, Japan, Australia, New Zealand, Canada and South Korea), as well as China and Vietnam and possibly India and Russia.

Several Asian countries are increasing defence spending in the aftermath of the cold war, partly because they are becoming richer and partly because they want to protect themselves as the US reduces its military presence in the region.

Pakistan devalues currency by 6%

By Farhan Bokhari in Islamabad

PAKISTAN'S new caretaker government, headed by Mr Moeen Qureshi, a former World Bank official, yesterday devalued the rupee by 6 per cent in an attempt to boost exports.

The Finance Ministry said international currency movements had caused distortions in Pakistan's trade and the government had determined that a significant adjustment was required.

The move, which followed a 3 per cent devaluation on July 15, set the official rate at Rs29.85/29.99 to the dollar. It was welcomed by exporters and on the Karachi stock market, where textile shares rose in expectations of improved profits.

The All Pakistan Textile Mills Association, the leading manufacturers' association, had demanded a devaluation to overcome competition from cheaper Indian and Chinese exports.

Pakistani export earnings in the financial year which ended on June 30 were $6.8bn (£4.49bn), little changed from $6.7bn in the previous year, but far below the targeted $8bn.

Mr Mir Afzal Khan, acting president of the Federation of Pakistan Chambers of Commerce and Industry, said: "This is a first step in the right direction. It was badly needed to compete with Indian goods."

Karachi's bourse recovery, see World Stock Markets

'Model patient' Morocco keeps medicine down

The signs are that persisting with its textbook reforms is having the desired effect, writes Francis Ghilès

IT IS no accident that Mr Edouard Balladur, the French prime minister, has chosen Morocco as the first non-western country to visit since he came to power.

As he meets King Hassan and members of his government over the next few days, he will be lending public support to the country's economic reforms and to its strategy of tying itself ever more closely to the European Community, at a time when both policies are showing conspicuous signs of bearing fruit.

On the economic front, gross domestic product is set to grow again this year, by 2-3 per cent, after a 3 per cent drop in 1992, in spite of a severe drought at home and the continuing downturn in western Europe, its main export market.

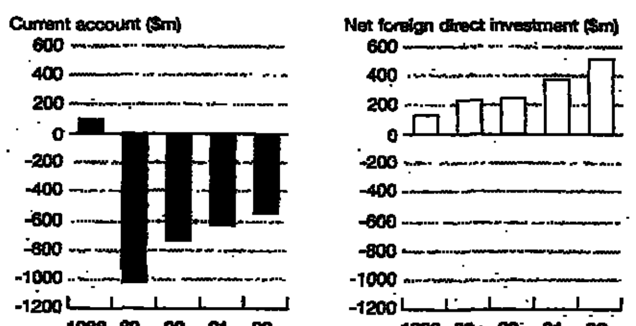
What is significant, while Morocco's economic performance remains vulnerable to climatic changes (farming represents roughly a fifth of GDP), is that the renewed confidence is attributable mainly to a rise in manufacturing exports and increased foreign investment – both direct results of 10 years of reform.

Foreign observers are now speaking of Morocco as a model for other patients of the international financial institutions to follow. It stands "where the IMF would like countries like Egypt to be", says Mr Miles Moreland, of Blakeney Management, an investment adviser.

International investors have shown they agree: foreign investment has risen fourfold since 1988 to an estimated $500m (£333m) last year – spurred in part by government plans to privatise 112 companies worth an estimated $2.2bn by the end of 1995. The privatisation programme is expected to bring $250m worth of foreign exchange receipts in 1993.

The minister of industry and privatisation, Mr Moulay Zine Zahidi, likes to point out that in 1992 external financing in the form of foreign direct investment covered the whole of the $500m current account deficit.

This is a marked change from 10 years ago, when Morocco was forced to reschedule its foreign debt. While the burden of the $21.5bn foreign debt remains significant, with total external debt at 80 per cent of GDP, the debt service ratio (debt principal and interest payments as a proportion of export earnings)has been halved to about 34 per cent – helped by Saudi Arabia's forgiveness of nearly $3bn worth of loans to thank King Hassan for support during the Gulf war.



Source: Moroccan Finance Ministry

Official reserves increased from virtually nil to $3.4bn, the equivalent of more than four months' imports.

As important have been the government's textbook economic reforms. Since 1983 taxes, tariffs and subsidies have been cut. Maximum tariff levels are down from 400 per cent to 35 per cent and Morocco has become a member of Gatt. Earlier this year, the dirham became convertible for current account operations.

A budget deficit which was running at 12 per cent of GDP 10 years ago was cut to 1.7 per cent in 1992. This has been at the price of a sharp reduction in state investment but also higher tax receipts and a more efficient tax system.

Real GDP growth averaged 4.5 per cent between 1985 and 1991 while inflation was at 5.6 per cent over the same period.

Positive change has been evident in Morocco's relations with the EC. Six years ago, King Hassan's declared intention of applying for Community membership was greeted in Brussels with a mixture of incredulity and scorn. Last winter, however, the EC agreed to a Moroccan request to negotiate later this year what promises to be one of the closest partnership treaties covering free trade and political co-operation between the Community and a non-EC country.

European countries (as well as the US) have also been heartened by the king's decision to act forcefully on illegal immigration and drug smuggling. This has secured Morocco commitments of $1bn for the development of the kingdom's northern region – the main centre of cannabis cultivation.

All this is not to say that the path of reform, however strongly the government may be politically committed to it, is problem-free. A recent report from Citicorp, the US-based banking group, cautioned: "It remains to be seen whether the Moroccan administration will succeed in balancing continuing economic adjustment with the risk of increased social instability as the unemployment rate remains high, at an estimated 20 per cent in 1992."

The reforms enacted since 1983 have increased already large income disparities and all agree that a 55 per cent illiteracy rate among men and the resulting low labour qualifications constitute a serious handicap for the expanding export sector.

A confidential World Bank study recently noted: "There has been no significant expansion [of overall manufacturing] relative to GDP since 1980. Although recent manufacturing growth has been better than average for lower middle-income countries, out-turns are less impressive when compared with several developing countries that are Morocco's international competitors."

Moroccan manufacturing faces three further challenges. The first is to move up the technology ladder faster. There are encouraging signs. In the last five years, the export of value-added products has doubled, moving from 22 to 30 per cent of the total.

The second is to spread export activity beyond the traditional Casablanca-Rabat corridor. The country's trade performance remains critically dependent on France which accounts for nearly a third of all exports.

The third is to diversify the sources of foreign investment. Here the most notable fact is the fast rise of Spain, which is consolidating its recently won position as the kingdom's second largest trade partner and source of foreign investment after France.

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NEWS: WORLD TRADE

Deutsche Telekom signs up to modernisation plan

$1bn Russian telecoms deal

By Ariane Genillard in Bonn

DEUTSCHE Telekom, the German state-owned telecoms monopoly, and Intertelekom, the Russian state-owned long distance telephone operator, yesterday signed a memorandum of understanding to co-operate on a $1bn (£660m) project to modernise Russia's telecommunications infrastructure.

The project involves a consortium of western telecoms groups which will invest up to $600m to install a digital overlay network connecting Russian cities with western Europe. The Russian side is expected to invest $400m in the project.

German officials said Deutsche Telekom was the first foreign company to sign a memorandum of understanding for the network; the final project would probably be granted to a consortium involving three of four western telecoms groups.

The memorandum was signed during a visit by Mr Wolfgang Bötsch, German post and telecoms minister, to Moscow. Mr Vladimir Bulgak, his Russian counterpart, said the project would start next year.

The project, called "50 times 50", plans to build 50,000km of glass fibre cables above the normal telecoms infrastructure.

The cables will connect 50 Russian cities with 50 connecting points in the west.

Deutsche Telekom said it would use its experience in eastern Germany to modernise the Russian telecoms infrastructure. The German monopoly installed an initial 3,000km long digital overlay network in eastern Germany in 1991.

The network, which initially connected eastern and western cities within Germany, is now replacing the original analogue network in eastern Germany. Deutsche Telekom also installed a radio system connecting telephone operators to the digital network until proper cable links are in place.

The German company is also participating in a joint venture to establish satellite links connecting the former Soviet republics and other eastern European countries with western partners.

Participants in the joint venture, called Romantis, include Bosch, the German engineering company, and Dornier, the German aerospace group.

Hitachi in deal to sell Apple PCs

By Michiyo Nakamoto in Tokyo

HITACHI will sell Macintosh personal computers made by Apple of the US as part of its client-server systems, the Japanese electronics group said yesterday.

The deal reflects the growing interdependence of companies in the computer industry as well as a move towards more open systems in which computer users are able to use a combination of machines from different companies.

Hitachi will buy the PCs from Canon Sales, a subsidiary of the camera and office equipment maker which is one of Apple's main distributors in Japan.

Canon Sales for its part will sell Hitachi's workstations and servers. A server is the master computer in a PC network which stores and provides access to programmes and network facilities. The deal – the first tie-up between the two companies – also calls for Hitachi and Canon Sales to develop software jointly for the new systems.

The Macintosh PCs to be sold by Hitachi will be part of its client-server systems which will use Hitachi's workstations for the central database and Apple's PCs as the client.

Apple has been making substantial inroads into the Japanese computer market and, according to Dataquest, the high technology consultancy, it is in third place in market share, with 8.3 per cent of the market.

Hitachi currently sells systems using its own PCs but the company felt the growing interest among Japanese users for more open systems, and the popularity of the Macintosh in Japan, called for offering Apple's PCs in its systems.

Sharing of seeds, which 'was the lifeline of the Indian green revolution', is threatened

Patents plans 'sow seeds of destruction'

Shiraz Sidhva on warnings of the consequences of copyright draft

THOUSANDS of farmers gathered this week at Navalgund, a hamlet in Karnataka, 11 hours from Bangalore, to launch a seed *satyagraha*, or non-violent protest, against multinational companies in the seeds business.

They are members of a powerful association of small farmers in the lush southern Indian state who attacked the administrative blocks of the Cargill Seeds factory in Siravara near Bellary last week.

Despite the farmers having razed the buildings, Mr M D Nanjundaswamy, president of the farmers' union, insists that he is a follower of Mahatma Gandhi, and says they had "rightly and rightfully" attacked the US multinational's premises, the second action against the company in less than a year.

Cargill was targeted first, because "they are one of the biggest seeds producers in the world, who use their clout to impoverish third world farmers," says the 57-year-old law professor-turned farmers' messiah. "Cargill and other multinationals have a philosophy that threatens the very sovereignty of the nation. And we will continue to attack them."

The average Indian farmer knows little about the Uruguay Round of the General Agreement on Tariffs and Trade which seeks to tighten patent laws in developing countries. But Mr Nanjundaswamy has taken it upon himself to interpret the implications to India of the Dunkel draft proposals on trade-related aspects of intellectual property rights (TRIPS).

"The installation of a patents regime in genes, plants and all farm inputs, where none exists, is to gain control of a nation covertly," he says.

Cargill and other companies that have set up joint ventures in Karnataka deny that they are draining Indian genetic resources. They claim that all hybrid seeds sold by the company are derived from imported germ plasm, and that yields have improved considerably since they started marketing their seeds to farmers at competitive prices.

The Karnataka farmers fear that transnational and multinational corporations, with their patent-protected seeds, chemicals, money and clout, will push them off the land.

Ms Usha Menon, scientist at the National Institute for Science, Technology and Development and a member of the national working group on patent laws, says that if India accepts the suggestions made by Mr Arthur Dunkel, former director-general of Gatt, the massive informal farmer-to-farmer seed exchange that thousands of Indian farmers depend upon will no longer be possible.

"Farmers have been getting foundation seeds from the agricultural universities and multiplying them for their own use and selling them to other farmers," she says.

"This sharing of seeds was the lifeline of the Indian green revolution and would be threatened if we accept the Dunkel proposals." It would then be obligatory for India to introduce plant breeder's rights, which would prevent both informal sales and the freedom of multiplication.

Mr P Sainath, a Bombay-based journalist whose booklet, Patent Folly, attempts to simplify intellectual property rights, says that the world's genetic wealth owes much to small farmers in developing countries.

"Multinational corporations are appropriating seeds and plant varieties that have traditionally belonged to developing nations, making some modifications, and patenting them to sell them back to the poorer country at much higher prices than farmers would have to pay," he says.

Critics of plant breeders' rights have argued that the world's vast bio-diversity should not be exploited for the commercial gain of a few powerful companies at little or no benefit to the country from whose resources a product is derived.

For instance, Vincristine, a cancer drug, was developed from a source grown in Madagascar, but critics say the country derives no benefit from the drug's million-dollar market.

In another case, a gene for insect resistance in soyabean and maize crops was isolated from a cowpea seed from Nigeria. Two American companies have patented the seed.

Dr R B Singh of the UN's Food and Agricultural Organisation says that developing nations could be excluded from certain technologies which should rightly be theirs.

For instance, a hybrid rice technology developed by the Chinese and patented by two American firms is too expensive for many farmers in China to afford. In Malaysia, oil palm research suffered when multinationals patented the wild germ plasm and were not willing to share it with researchers in the Malaysian government.

The Indian commerce ministry is still to decide whether the government should accept the Dunkel draft's final act. "We are not just going to sign on any dotted line," said Mr Tejinder Khanna, the new commerce secretary.

"Other contracting parties in Gatt should positively appreciate India's concerns, since one-sixth of the world's population lives here."

Thames to head Turkish water project

By John Murray Brown in Ankara

A CONSORTIUM led by Thames Water, the privatised UK regional utility, has signed a $700m agreement to build and run a water supply plant in Turkey.

The plant at Izmit, south-east of Istanbul, will be operated for 15 years by Thames which will recover the investment by selling water to the municipality. The project is one of several under negotiation in Turkey using the build, operate and transfer method of financing.

Philipp Holzmann of Germany is leading a construction consortium on the DM2bn (£700m) Birecik dam project near the Syrian border. Enron, acting for Midland Electricity, the privatised UK power utility, together with Wing Merril, the private US engineering consultant, are negotiating a $1bn power plant project for the Marmara region.

Thames's implementation agreement was signed this week by the consortium and the mayor of Izmit at the end of a five-day visit to Turkey by Mr Richard Needham, Britain's trade minister. UK content in the project is worth $240m.

The consortium still has to agree loan terms and treasury guarantees, although executives regarded the presence at the signing of Mr Osman Unsal, head of the Turkish treasury, as clear indication the government was prepared to back the deal.

The BOT concept was pioneered by Turkey's late President Turgut Ozal as a way to establish large public infrastructure without affecting the government's balance sheet, an important consideration at a time of severe budget constraints and large foreign debt payments.

The argument for BOT is that as the private sector takes the risk financial disciplines are tighter, because repayment is directly dependent on project completion.

PWT Worldwide, Thames's wholly owned subsidiary, together with the Turkish partners Gama and Guris, will conclude work on a partly completed dam, construct two pumping stations and more than 100km of mains piping. Construction is expected to be complete in 1997.

The financial package is to include Japanese aid funds, export credits, commercial loans and a 15 per cent equity portion put up by the consortium partners.

Chase Manhattan, financial advisers to the project, say the credit package will be submitted next week to the UK Export Credit Guarantee Department and other European agencies. Syndication with UK and Japanese commercial banks will follow.

BAe pulls out of Romania

BRITISH Aerospace is pulling out of Romania and suspending a licensing agreement under which the country manufactures BAC 1-11 airliners because of lack of payment by its local partner, Virginia Marsh reports from Bucharest.

Romaero, the state owned aircraft manufacturer, said yesterday it had accrued a debt of around $10m to BAe since 1987.

The move places in doubt a $250m contract which Romaero concluded last February to build 11 up-graded BAC 1-11s for Kiwi International, a new US airline.

US arms dealer to third world

The US became the largest seller of arms to the third world last year, while the overall sales of armaments to that market decreased, Aaron Lewis reports from Washington.

A study by the Congressional Research Service said the US was responsible for 57 per cent, compared with Russia's 9 per cent.

Worldwide weapons sales reflected Russia's reduced performance totalling only $23.9bn last year, $4.7bn less than in 1991.

The third world, in particular, has imported fewer weapons in the wake of the dissolution of the Soviet Union. This affected in particular Vietnam, Cuba and Syria.

Major insists he will stand by Maastricht

By Philip Stephens, Political Editor

MR JOHN MAJOR, the UK prime minister, last night staked his administration's future on ratification of the Maastricht treaty with an unequivocal warning that he was ready to defy the House of Commons if it voted for the social chapter.

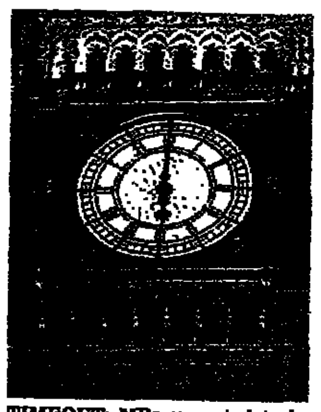
In a stormy, angry debate as MPs prepared for last night's crucial votes on whether Britain should accept the treaty's social provisions, Mr Major said nothing would deflect him from ratification of the treaty.

Accusing his opponents of cynicism and political opportunism, the prime minister said that failure to ratify Maastricht would destroy British influence within the European Community.

Amid scenes at Westminster of blatant arm-twisting, backstairs bargaining, and passionate pleading, Conservative party managers last night were still struggling to secure endorsement of Britain's social chapter opt-out.

But with the Ulster Unionists still wavering, no-one was confident of a government victory.

Mr Major sought to step up the pressure on Tory opponents of the treaty with an impassioned plea for loyalty and unity at a packed meeting of the backbench 1922 committee only hours before MPs were due to troop through the division lobbies.



TIMEOUT: MPs expected to be voting well into the night

He warned that imposition of the social chapter would risk aborting the economic recovery now underway, driving out British businesses and jobs to overseas competitors and undermining the flow of overseas investment in the UK.

The prime minister told the Tory rebels whatever the outcome they would fail in their attempts to wreck the entire treaty. Dismissing suggestions that he might be forced to embrace the social chapter he said the enactment earlier this week of the European Communities (Amendment) bill had provided the authority for ratification of the original treaty.

He added: "Rarely in recent history has Parliament shown its will so effectively. Today's debate is an attempt to frustrate that will."

His comments – signalling his readiness to defy the alliance of opposition parties and Tory Euro-sceptics ranged against him – provoked outrage and warnings of a constitutional crisis from opposition leaders.

Mr John Smith, the Labour leader, accused Mr Major of threatening to ride roughshod over the will of parliament, warning that the social chapter opt-out would turn Britain into the "sweatshop of Europe".

But in defiant mood Mr Major said that yesterday's debate had no relevance to the ratification process: "Parliament if no longer debating the Maastricht treaty. The bill is now an act. In due course the treaty will be ratified".

Emphasising that Britain could not renege on its commitment's, he told MPs: "If we wilfully throw away our capacity to defend our interests and promote our policies in that (European) market, I believe this country will pay a dear price for that folly in the years to come."

Stately swan in the nick of time, says smiling PM

By Ralph Atkins

MR JOHN Major tried to conjure an image of serene determination. He seemed to see Maastricht as a stately swan, enjoying an inexorable drift towards ratification. This he implied, was a day for a spot of fishing or baiting the opposition parties.

But beneath the surface, government business managers paddled frantically around the Palace of Westminster, trying to keep the whole ship afloat.

The drama had begun to unfold earlier. Cabinet met, government whips began calculations. On the terrace at lunchtime, it was jolly weather for messing about with votes.

Would Mr Michael Heseltine, trade and industry secretary, have to rise from his sick bed? Perhaps a boat down the Thames from his Oxfordshire home? The nine Ulster Unionist MPs met and discussed tactics but then were silent on how they would vote.

Over lunch, Euro-sceptic Tory MPs were confident of victory. Later they were not so sure: "The social chapter is difficult for some of our boys to vote for. But the whips are running around like bees."

By evening, as Mr Major gave his end-of term pep talk to the 1922 Committee, loud desk thumping hinted that his appeal to loyalty was having some impact.

In the Chamber, as rational debate turned to fractious political point scoring, it was clear the plot was being worked out elsewhere. Mr Richard Ryder, the chief whip, was not in his usual seat.

But the prime minister's performance was effective nevertheless. It was Mr Major on the soap-box, humble but passionate, grateful for support.

STEPPING OUT: chancellor of the exchequer Kenneth Clarke and foreign secretary Douglas Hurd (right) leave No 10 yesterday

Cry of trespass renews battle with the courts

Maastricht case has opened very old wounds, reports **Gillian Tett**

WHEN Betty Boothroyd, the speaker of the House of Commons, warned the High Courts this week against trespassing on parliamentary rights on the issue of the Maastricht ratification, she was following in a tradition that is truly Shakespearian.

British political life has long been dominated by battles between those who make the laws – and those who seek to apply them.

Now the issue is to the fore again after the successful attempt by Lord Rees-Mogg, a leading critic of the prime minister, to get judges in the High Court in London to review the validity of the Maastricht ratification process.

But in spite of the historical precedent, the legal status of Mrs Boothroyd's attack would seem to be rather questionable.

In theory, at least, the relationship between parliament and the law courts is relatively clear cut. Parliament's role, under British political tradition, is to create the legislation; the courts' role is to interpret and apply it.

This means, as Betty Boothroyd points out, that the law courts have no right to legislate over parliament – unlike Germany, for example, where the courts have a constitutional right to restrain the executive if necessary.

The problems begin, though, with the fact that British law is not based on a legal code, but on a mixture of statute and precedent.

So, when a judge makes a ruling, they are contributing to its definition. In recent years, this has lead to accusations that the role of the Law Lords has been expanding too fast.

But although this principle would seem to give the House of Commons moral weight in dealing with the courts, the validity of Mrs Boothroyd's attack in the Rees-Mogg case would seem doubtful.

Part of the problem is, as Professor Trevor Hartley of London School of Economic points out, that the Rees-Mogg case is not so much challenging parliament, but rather the role of the government.

Indeed, if one follows Lord Rees-Mogg's reasoning through, his case is potentially arguing that parliament should enjoy stronger powers.

However, the other problem, says Mr Paul Craig of Oxford University, is her use of "Article Nine".

When Mrs Boothroyd quoted the article from the 1689 Glorious Revolution's Bill of Rights, which declares that "The freedom of speech and debates or proceedings in parliament ought not to be impeached or questioned in any court or place out of parliament", she appeared to be suggesting that the courts did not have the right to challenge parliament's right to ratify the Maastricht treaty.

But, as Mr Craig yesterday pointed out, article nine has usually been understood to have two, quite different implications – firstly, to ensure that parliamentary debate enjoyed protection from any court action; and secondly, to ensure that the courts could not interfere in the internal proceedings of parliament.

"What the courts are being asked about here is not whether the parliament should have passed the act, but about how it is being interpreted. Does it fit the Maastricht bill?" explains Mr Craig.

Furthermore, as Mr Craig points out, it is not only the House of Commons that can use the moral weight of "article nine" – since the bill has long been law, the courts have the right to interpret and apply it. So if the House of Commons wishes to ensure that its relationship with the courts is clarified further, it seems that it may have to start again – and draft a new law.

Commons told to defend influence within Europe

Alison Smith and **David Owen** hear the Maastricht Treaty debate

MR JOHN SMITH, lead of the opposition Labour party, called on MPs to support the social provisions of the Maastricht treaty and warned the prime minister that if he sought to defy the will of the House he would have "exceeded the power of his office".

Mr Smith claimed that the debate was more about the "the tattered reputation of a discredited prime minister" than the national interest.

This theme was taken up by Mr Paddy Ashdown, leader of the Liberal Democrats, the centrist third party, who also told Mr Major that if the vote went against the government "we expect him to obey it".

To Labour cheers Mr Smith insisted that Britain had no future as the "sweatshop of Europe", and forecast accelerating instead of relative economic decline if the policies of social devaluation which lay behind the attempt to opt-out from the social chapter continued.

Brushing aside suggestions from Conservative backbenchers that acceptance of the social chapter would mean a return to trade union domination he emphasised that it did not extend to pay, the right of association and the right to strike.

Mr Smith said Britain was alone among the 12 member states of the European Community in opposing a modest extension of its competence to such matters as the protection of health and safety of people at work and equality of opportunity between men and women.

Earlier Mr Major had delivered an impassioned warning that unless the UK honoured its obligations it would lose its growing influence within the European Community.

In a vigorous speech opening the debate on the social chapter, the prime minister made an urgent and direct appeal to potential Tory rebels to think again before joining opposition parties in a "cynical" vote for the social chapter.

The electric atmosphere in the packed Commons chamber alternated between uproar and rapt silence, as Mr Major said that the true will of parliament had been expressed in the 71 votes in favour of the Maastricht act. They "should not be frustrated by one parliamentary motion".

If there were a free-standing debate on the social chapter, he asserted, MPs would reject it. He had been acting "within the remit of parliament" when he negotiated the treaty, including the opt-out from the social chapter.

Insisting that the UK would ratify the treaty, Mr Major made it clear that the Tory Euro-sceptics were wrong to have convinced themselves that voting with Labour would prevent ratification.

The unholy alliance lined up against the government was "not based on any conviction whatsoever". A vote cast with the aim of preventing ratification of the treaty would be "a cynical and disreputable vote."

Two former rebels – Mr Michael Lord and Mr John Carlisle – intervened in the prime minister's speech to announce that they would vote with the government. "I am always delighted to accept a sinner returning home," Mr Major replied.

"The good European does not accept every piece of nonsense from Brussels because it has a European label," he said. It was just one example of the direct and plain language that marked a speech studded with soundbites for much of its 40 minutes.

Exports slow amid fears of EC downturn

By Emma Tucker, Economics Staff

GROWTH OF manufacturing exports slowed in the second quarter amid fears that deepening recession in other European Community countries and a stronger pound could threaten the UK's competitive advantage.

In an extensive survey covering 9,000 companies in the services and manufacturing sectors, the British Chambers of Commerce reported that sales and orders of manufacturing exports did not improve in the three months to June. For the second consecutive quarter, only one in five companies reported higher export sales and orders.

The Chamber's overall conclusion from its quarterly economic survey was that the recovery remains broadly based and gradual, with growing domestic demand.

Small companies continue to lag behind the bigger ones with only one in 10 small businesses enjoying growing order books. Plans to take on more employees, however, is concentrated among small companies.

The balance of manufacturing companies enjoying higher domestic sales compared with the previous quarter rose from 5 per cent to 19 per cent. There was a similarly sharp jump in the performance of service sector companies. A balance of 27 per cent of companies reported higher quarter-on-quarter sales, against only 13 per cent in the first three months of the year.

The Chambers' main concern was UK export markets. "Our ability to compete internationally remains patchy," said Mr Christopher Stewart-Smith, president of the Chambers.

He added that although companies were less worried about inflation and the level of interest rates, there was concern that the UK's competitive edge which followed devaluation might be eroded.

There was good news on investment. Manufacturing and service sector companies revised their investment plans upwards. The rise in sales in the second quarter has also led to an increase in the number of firms working at full capacity, with 22 per cent of manufacturers claiming to have no excess capacity at present.

Unemployment, according to the survey, continued to rise in the manufacturing sector but was static in services. Both sectors expect to increase staff over the next three months.

The survey found that there was no easing of recruitment difficulties in the second quarter. The problems are higher for professional and managerial staff than for any other category.

In spite of the overall rise in sales and orders, business confidence rose only slightly in the second quarter.

AT&T calls for tougher regulation of rival BT

By Andrew Adonis

AMERICAN Telephone and Telegraph, the US communications company pressing to compete in the UK, called yesterday for much tougher regulation of British Telecom.

In a submission to Oftel, the industry regulator, AT&T said BT should be forced to publish tariffs for services needed by competitors to interconnect with the BT network.

The demand goes beyond draft Oftel plans, which would oblige BT to publish full accounts for its broad "retail" and "network" businesses.

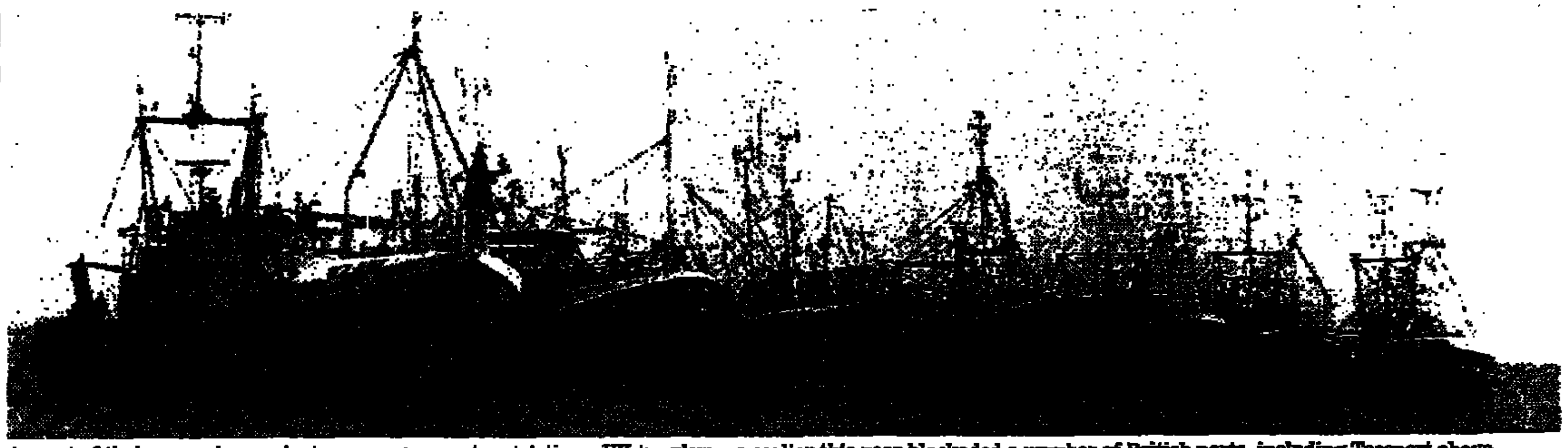
Citing the US model, where published tariffs for interconnection are the norm, AT&T claim that "unbundling" BT's costs for interconnection "is necessary to ensure that customers pay only for the services they receive".

At present, competitors to BT have to negotiate an interconnection tariff without detailed knowledge of relevant BT costs, subject to an appeal to Oftel if they believe they are being unfairly treated.

AT&T also criticises BT's control of telephone numbers, directory services and other advantages "which give it an artificially enhanced competitive position in the market".

AT&T's submission is the latest stage in its campaign to gain access to the UK market.

Results, Page 19



As part of their campaign against new government restrictions, UK trawlermen earlier this year blockaded a number of British ports, including Teesport above

FISHERMEN yesterday won the right to a judicial review of government plans to limit the number of days they may spend at sea each year, writes Alison Maitland.

The National Federation of Fishermen's Organisations, which says the legislation would be financially disastrous for the industry, was given leave to apply for suspension of the rules, due to take effect next January.

The NFFO said overcapacity was a result of the government failing to pay fishermen to leave the industry under an EC decommissioning programme.

The government, facing EC demands to conserve fish stocks and cut fleet capacity by 19 per cent by 1996, has postponed introduction of the rules from October 1 to give fishermen time to come up with alternatives. The rules will restrict some 4,500 boats over 10 metres long to the same number of days they spent at sea in 1991.

Friends of Asil Nadir protest against SFO

By Rachel Johnson and Richard Donkin

FRIENDS of Mr Asil Nadir, the fugitive businessman, have started what appears to be a concerted campaign against the handling of the case mounted against him by the Serious Fraud Office.

Within hours of publication by Mr Nadir of a 60-page dossier of court transcripts and letters and documents, bound by the UK's strict sub-judice laws, a group of British-based Turkish Cypriots began demonstrating in Downing Street.

According to one demonstrator, Mr Mustafa Gencsoy, chairman of the Turkish Association of Cyprus (Kibris Turk Cemeyeti), the 50-strong demonstration yesterday morning was orchestrated by the All-Turks Legal Support Group.

Mr Gencsoy said Turkish Cypriots were upset by the British authorities' handling of the Nadir case over the past three years.

Scotland Yard confirmed yesterday that three items, formerly owned by Mr Nadir, were taken in a daylight burglary on Wednesday from Christie's, the auctioneers. The items were being held for sale on behalf of his creditors.

Extra London runway may not be needed until 2010

By Tim King

LONDON'S AIRPORTS might not need a new runway for another 20 years, according to the government's advisers.

In a report published yesterday, a government-appointed working party has substantially revised previous estimates of the capacity of the region.

In 1990, the Civil Aviation Authority forecast that another runway would be needed by 2005 but Rucatse – runway capacity to serve the south east – gives the government and potential developers more breathing space.

The Rucatse report concludes that there would be a case for a further runway at either Heathrow or Gatwick by 2010 or, if this were not provided, at Stansted by 2015.

Even without the construction of more runways, Rucatse estimates that the major existing south east airports could handle a maximum of 170m passengers a year by 2015. Last year 69m passengers used the airports.

BAA, which owns and operates the three London airports said the Rucatse report showed runway capacity was not the immediate issue.

Sir John Egan, BAA chief executive, said: "BAA's priority is to build Terminal 5 at Heathrow which will make full use of the existing runways."

Rucatse concluded only the four major south east airports, Heathrow, Gatwick, Stansted and Luton, offered worthwhile prospects for accommodating a new runway, although it acknowledged that the expansion of regional airports would help meet growth in overall passenger demand.

Britain in brief

Japanese boost UK car figures

Sharp production increases by Japanese motor manufacturers pushed total UK car production in June to the highest level for a single month for nearly three years, and the highest for the month of June for 19 years.

The car industry's performance is in stark contract to that of the main Continental car producing countries – Germany, France, Spain and Italy – where output has been falling by up to 30 per cent since the beginning of this year.

Last month's output increased 4.3 per cent, to 134,753 from 129,203 in June last year. Statistics for the first five months of the year show that Nissan output up 43 per cent, to 115,244, and Toyota and Honda – each in production for the first time this year – producing 9,727 and 16,866 units respectively.

NatWest Tower 'safe and sound'

The 600 ft National Westminster Tower, a City of London landmark, has been found to be structurally sound, according to a report commissioned in the wake of the April bomb blast.

More tour groups fail

Over-ambitious expansion resulted in the collapse last year of 24 providers of air-based package holidays, the highest number on record, according to the accounts of the Air Travel Trust Fund.

The Civil Aviation Authority, which administers the fund, said it had to arrange the return to the UK of 30,416 holidaymakers whose companies had failed in the year to March 31 1993.

The cost of repatriation was £5.6m. Over half those repatriated were customers of Air-break, which collapsed last September.

Brochures thrown away

The UK travel industry throws away about 40 per cent of the 120m holiday brochures printed each year, with many packages dumped unopened in bins and skips, a report published yesterday says.

The report by Green Flag International, an environmental group set up in 1990 with support from tour operators, says the total annual cost of printing holiday brochures is £86.5m – £20 for each booking. Brochure printing accounts for more than 1m trees each year.

Lonrho wins right to sue

Lonrho, the international trading conglomerate, has won the right to sue the Fayed brothers for financial loss over an alleged dirty tricks campaign fought since the brothers gained control of the House of Fraser stores group.

The Court of Appeal overruled a High Court decision to strike out Lonrho's claim as "an abuse of the process of the court". The feud between the two sides, involving many hard-fought court hearings, has been going on since 1985 when Mohamed and Ali al-Fayed won control of the House of Fraser stores group.

Names face legal action

Lloyd's of London could issue writs in the next few weeks on four Names unwilling to pay losses, the first such legal actions since the spring of 1992.

In another sign that attitudes towards rebel Names could be hardening, Mr Peter Middleton, chief executive, was sharply critical of an alternative business plan, circulated by Mr David Springbett, a former insurance broker.

Explaining the legal move, Mr Middleton said the market's authorities were targeting those Names – individuals whose assets support the insurance market – who "can pay but won't pay".

PEOPLE

Brown benefits from ABCC's expansion

The frantic pace of change at the Association of British Chambers of Commerce over the past three years has put an increasing burden on its small staff. To keep up with the increased workload the chambers have appointed their first deputy director general.

Richard Brown, 32, formerly director of policy, has been promoted to handle the chambers' external affairs and international relations. Recent visitors to the association's cramped Westminster offices have included chamber representatives from Russia and Bulgaria and Brown has a busy programme in Europe over the next few months.

A graduate in French and Spanish from the University of East Anglia, Brown has been with the chambers for three years. Before that he spent seven years with the British Institute of Management, ending as director of policy.

Brown will be number two to Ron Taylor, the director general and an old chambers' hand who has spearheaded the attempts to beef up the British chamber movement. The association is attempting to create a core network of some 50 chambers with the resources to match their German and French counterparts, which enjoy considerable government backing.

In January the association merged with the National Chamber of Trade which draws its members mainly from the retail sector. This boosted membership from 90,000 businesses to 214,000. Staff numbers have gone up from 20 to 26 and the association has taken a far more active role in the economic debate.

The result of all this activity has been to give the association a far stronger role. It was previously seen as a poor relation of some of the larger local chambers in London, Birmingham and Manchester and was not taken very seriously.

Brown, who lists his leisure activities as swimming and writing, has just completed his third book. Due out in October, it is a study of how implementation of the Maastricht Treaty will affect business. He has been following the Treaty's tortuous passage with close interest and some trepidation.

Insurance moves

- Peter Fullam, chief financial officer, has been appointed to the board of IRISH LIFE.
- Anthony Howland Jackson has succeeded James Vaughn as chairman of the HOGG GROUP; Vaughn remains on the board as non-executive deputy chairman.
- Peter Moss has been promoted to the board of AXA EQUITY & LAW.
- John Hawley has been appointed national sales director of Bain Clarkson, part of INCHCAPE.
- Brian Peters is appointed md of the newly amalgamated CU MORLEY.
- Tom Brown, md of Royal Insurance Global, and Peter Sharman, md of Royal Insurance UK, have been appointed directors of ROYAL INSURANCE.
- Philip Scott, general manager (UK Life), and Philip Sheridan general manager (Europe and International), have been appointed directors of NORWICH UNION.

Batchelor moves into higher gear at Vauxhall

After seven years spent as executive director, sales and marketing, of General Motors' Vauxhall cars subsidiary, the affable Peter Batchelor is having his responsibilities broadened to embrace all aspects of sales and after-sales care.

The title of vice chairman, commercial operations, goes with the 55-year-old Batchelor's new overall responsibility for service, parts and accessories as well as sales and marketing.

Taking over his old title is Ian Coomber, 48, also no stranger to a Vauxhall dealer network well pleased with their franchise these days, despite the relatively poor market.

Both Batchelor and Coomber – the latter until now retail and fleet sales director – have played significant roles in Vauxhall's rise from a market share languishing around 8 per cent at the start of the 1980s to more than double that level now.

Coomber will join Peter Lord, director of after-sales, in reporting directly to Batchelor.

- Graeme Seabrook, formerly chief executive officer of Kwik-Save on secondment from Dairy Farm International, has been appointed md of DAIRY FARM INTERNATIONAL.
- Ken Grove and Jim Thomas have been appointed joint mds of Strachan & Henshaw, part of The WEIR GROUP.
- Graham Hudson, formerly md of Dunlop Footwear, part of BTR, is appointed md of the swimwear division of DUNKELD GROUP; Bill Walker, formerly business development director for the VF Corporation Europe, is appointed md of the shirt division.
- Keith Tozzi is promoted to become group technical director of SOUTHERN WATER.
- Mike Clark, formerly operations director, has been appointed md of MID KENT WATER; Geoff Baldwin, who combined the roles of chairman and md, remains chairman.
- Christopher Bell, marketing director of LADBROKE Racing, has been appointed deputy md.
- Peter Lyall has been appointed sales director of Chantry Web, Wakefield, a subsidiary of WATMOUGHS (HOLDINGS).

Derek Edwards

Derek Edwards, who was appointed chairman of Bridon in February and of Marling Industries only last month, suffered a heart attack and died on July 21. He was 62. He joined Pillar Holdings in 1961 and became a main board director when the company was taken over by RTZ in 1970. Edwards was a non-executive director of National Express and Henlys Group, a past council member of the CBI, a member of the Gloucestershire Health Authority and a member of the court of Bristol University.

FINANCIAL TIMES SURVEY

EUROPEAN BUILDING & CONSTRUCTION

Friday July 23 1993

Companies face a tough year as the economic climate remains dull. Governments are turning to the private sector for infrastructure and building projects, but the removal of Community trade barriers has so far had little impact, says **Andrew Taylor**

All quiet on the sites

THE European construction industry, like the economy of the region, is in retreat. Building output is faltering in almost every European market. Even in Germany, construction growth is expected to halve this year.

Economic recession, high interest rates and mounting unemployment have hit exports and undermined consumer confidence. Instead of spending, Europeans are worrying about their future job prospects and are saving or repaying earlier debts.

Private investment in homes and by manufacturers and service industries, accounting for about 60 per cent of European construction, has declined as demand for these products has fallen.

New car sales in western Europe declined by 1 per cent in the first six months of this year and by 5.3 per cent in June compared with June last year. German car sales in June fell by 17.4 per cent.

Companies are unlikely to invest in improved premises or new buildings while their own sales remain weak. Public sector spending on construction is unlikely to see much improvement, either.

Governments faced with declining tax receipts and struggling to contain mounting budget deficits are poorly placed to make up a shortfall in private investment.

Over-development of offices in the late 1980s has left too many empty buildings chasing too few tenants in many European cities. Financial services, which had expanded rapidly during the 1980s, have been hit particularly hard by the recession, leading to large job losses in the sector and decreasing demand for office space.

Olympia & York, the Canadian-based property developers owned by the Reichmann family, was brought to its knees, and with it several construction sub-contractors, by the failure of its Canary Wharf office development in London's former Docklands which had been expected to rival the City of London as a new financial centre.

Other European cities have also been left with large amounts of unsold and unlet office premises. This will continue to inhibit rents and sale prices even when other areas of construction start to recover.

Paris is estimated to have at least four years' supply of offices either built or in the process of construction.

French building and civil engineering markets have *declined rapidly since the* second half of last year, as the steep recession in construction which overtook Britain and Scandinavian countries several years earlier, spread to other European nations.

The French government has forecast that total construction output will decline by between 2 and 3 per cent this year. Contractors and building material producers, however, believe the fall will be greater.

Bouygues, one of the country's biggest builders and civil engineers, has forecast a 6 per cent fall this year in its French construction turnover, including road building. Lafarge Coppée, one of the world's biggest building materials companies, says that French cement sales fell by more than 10 per cent during the first six months of this year.

It forecasts that French cement sales will fall by about 8 per cent during the year as a whole.

Construction orders in Italy, which rely heavily on public patronage, have fallen sharply as the financial and political scandals that rocked the country have paralysed central and local government decision-making.

Many of the scandals involve construction and building material companies, several of which are being investigated for alleged illegal funding of political parties.

Spain, Europe's fastest growing construction market during the 1980s, has also gone into reverse as the national economy has declined and big building projects for the Barcelona Olympics and last year's World Trade Fair in Seville have ended.

The Netherlands, which sells about a third of its exports to a declining German economy, is expected this year to endure a modest fall of about 3 per cent in construction output, as is Belgium.

Other European countries likely to experience a decline in construction activity include Switzerland, Norway, Sweden and Finland which is forecast to see the biggest fall in construction output in 1993 of approaching a fifth.

The disintegration of the Soviet Union, previously Finland's *most important trading* partner, has severely reduced export opportunities for the Finnish construction and building materials industries.

The severe economic and political problems facing some former communist eastern European countries has meant that construction opportunities, despite the high demand for new and improved infrastructure in these markets, have failed to materialise in the way that had been hoped.

Political uncertainty in many of these countries has made it very difficult to raise finance from the developed world for much needed civil engineering, industrial and housing projects.

The exception is in eastern Germany where the house con*struction and renovation*, in particular, is growing rapidly according to Lafarge Coppée. Redland, Europe's biggest roof tile manufacturer, RMC, Europe's biggest conc- rete producer and a large cem- ent producer in eastern Germany, and BPB Industries, Europe's biggest plasterboard manufacturer, have all reported strong German sales during the first six months of this year, particularly in the eastern region.

Overall growth in German construction is forecast to halve this year to 4 per cent, following a 9 per cent rise in output last year. In spite of slower growth, the industry remains strong, outperforming the rest of a German economy struggling to meet the cost of integrating the former east *German republic.*

By comparison, Britain which, like some Scandinavian countries, entered the recession earlier than many of its other European rivals, is still struggling to get over the decline in activity.

A revival in UK house sales has slowed since the spring, although these are still likely to be higher this year than last. Other areas of construction remain severely depressed with investment in private industrial and commercial premises not expected to improve until there is a more sustained recovery in the rest of the UK economy.

Even when construction output starts to pick up in European markets, the recovery may be laboured and is likely *to lag general economic recovery.*

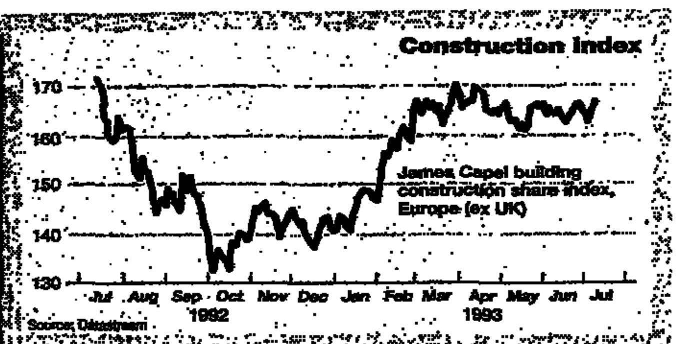
EuroConstruct, representing construction research agencies and economic forecasting bodies in 15 European countries, expects output in the region to fall by 1.9 per cent this year with only a 0.2 per cent rise expected next year.

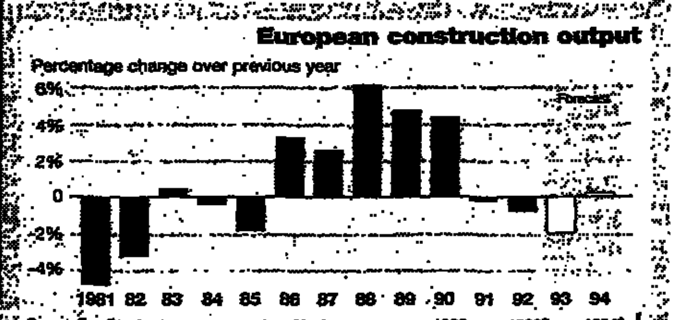
The downturn, although depressing, is not as bad as the construction decline in the early 1980s, says EuroConstruct. The exceptions are in Finland where the fall in building and civil engineering orders is the worst since the 1930s; and in the UK where falling construction output has been compounded – unlike in previous recessions – by falling commercial and residential property prices.

The German housing market provides the brightest perspective in an otherwise depressing European construction outlook. The number of housing units completed by builders in western Germany is expected to rise from 375,000 to 420,000 this year. The last time this was achieved was in 1977. Housing investment in eastern Germany is expected to rise by 25 per cent this year with the number of units completed rising to 30,000.

The sluggishness of European construction markets means that the removal of trade barriers between European Community countries has so far had little impact on international contractors, which have fared better in the booming construction markets of southern Asia. That situation seems unlikely to change much over the next 18 months.

European Construction Forecasts 1993/94; EuroConstruct, Princes House, 39 Kingsway, London WC2B 6TP; £390.





% change	1992	1993*	1994*
Austria	+4.5%	+1.5%	+1.5%
Belgium	+3.6%	-3.3%	+0.8%
Denmark	-0.6%	+3.1%	+1.7%
Finland	-17.0%	-18.0%	-7.0%
France	-3.0%	-2.3%	+0.1%
Germany	+9.0%	+4.0%	+4.5%
Ireland	+0.2%	+4.0%	+6.1%
Italy	+1.1%	-4.8%	-1.8%
Netherlands	0%	-3.0%	-1.0%
Norway	-0.9%	-1.8%	+2.7%
Portugal	+2.5%	+2.0%	+4.3%
Spain	-6.0%	-2.0%	+1.0%
Sweden	-6.8%	-8.8%	-8.1%
Switzerland	-5.9%	-2.2%	+2.0%
UK	-5.5%	-1.2%	+0.5%

Source: EuroConstruct * Forecast

IN THIS SURVEY

Dynamism can emerge from Soviet wreckage

Much of the former Soviet construction industry is in crisis. But a dynamic Russia should emerge from the wreckage of communism early in the next century. And western construction companies are set to play a vital part in *reconstructing the* country's economy

☐ **Germany:** eastern bonanza is some way off
☐ **UK activity:** downturn in prospects after bright start to year Page 2
☐ **Italy:** political scandal holds up contracts
☐ **France:** Balladur's public works plans Page 3
☐ **Nordic countries:** scars may take long to heal
☐ **Netherlands:** return to growth from 1994
☐ **Spain:** dams lessen the drought Page 4

The face of former communist eastern and central Europe is being transformed, writes **Anthony Robinson**

Dynamism can emerge from the wreckage

THE Soviet Union, which was built during a dozen five-year plans interrupted only by war and post-war reconstruction, crumbled virtually as it was being built. The mighty dams, steel plants and factories of the first five-year plans were built with forced labour fresh from the countryside, using poor quality steel and worse quality cement. Housing was neglected for three decades, except for a handful of Gothic skyscrapers in Moscow and other cities and the blocks built largely by German prisoners of war in the immediate postwar period.

Then came the shoddy, barrack-like housing blocks with cheap, tar-paper roofs, low ceilings and poky rooms built around the fast-growing cities by Khrushchev in the late 1950s and 1960s. Finally, Russia was disfigured by endless rows of uniform, factory-built housing blocks which made Soviet cities virtually indistinguishable, whether in the freezing tundra or the semi-deserts of central Asia.

All were built the same way from concrete panels assembled on site by giant cranes during President Brezhnev's long, mediocre regime in the twilight years of communism.

As a general rule, anything of architectural merit in the Soviet world was either built before the revolution or in that brief post-revolutionary moment when architects like Menshikov and the constructivists managed to put up the odd house or trade union office in super-modernist style.

The low quality of most construction work, and the combined effects of poor maintenance and a harsh climate, have left Russia and the post-Soviet republics with an inadequate and decaying housing stock, over-sized factories, dangerous nuclear power stations and rotting infrastructure – from railways to highways which need replacing fast.

The collapse of the official economy, however, has led to cutbacks in mass housing and other building works, but a boom in private dacha building around Moscow and the big cities.

Longer term, the collapse of central authority and rapid, if chaotic, privatisation is expected to lead to a spate of largely uncontrolled building of low rise housing in the outer suburbs and a huge volume of small-scale renovation work as owners of newly privatised shops and flats make good decades of neglect.

The first indications of this are already apparent. But the clearest signs of things to come can be seen in former communist east and central Europe where the face of the cities and even villages has been transformed by such developments over the last three years.

Eventually, the reformation of the economies of Russia and other former Soviet republics, especially the energy and raw material rich ones, will create demand for repairs, facelifts and new construction which will in itself become a powerful engine of future growth.

This internally generated dynamic will be assisted by billions of dollars of international aid money and foreign finance, initially from the World Bank and other institutional lenders, which will find tangible expression in the building of telecommunications networks, the rebuilding and expansion of road and rail links, the modernisation of ports and airports, and a crop of new warehouses, new offices and hotels, new factories and refineries across the board.

Western companies will play a vital part in reconstructing the Soviet economy – after confusion gives way to a clear set of rules, backed by law

At present, much of the former Soviet construction industry is in crisis; it needs a massive infusion of new ideas, new equipment and new management. But those who can look beyond the current and inevitable political turmoil and confusion see an economically dynamic Russia emerging from the wreckage of communism in the early part of the 21st century. It will be then on the way to fulfilling the potential for growth and development which made Russia the fastest-growing economy in the world in the decades before the first world war.

The preconditions for such growth are higher output and efficiency of the oil and gas industries, coupled with greater energy efficiency. This will ensure a rising exportable surplus while privatisation of agriculture and the agro-industrial and distribution sectors will end the hard currency drain of food imports.

Western construction companies, energy and agro-businesses will play a vital part in reconstructing the former Soviet economy, once Russia and other resource-rich states such as Kazakhstan and Azerbaijan earn the hard currency needed to buy services and attract investment from abroad. They will come in after the current confusion over laws, ownership and political competence is replaced, as it surely will be, by a clearer set of rules, backed by law and a remodelled state.

What can be achieved is already visible in Poland, Hungary and the Czech republic which are the main recipients of foreign investment but also the most advanced in revamping their laws to European standards, stabilising their currencies and establishing government according to parliamentary rules.

Exbud, the privatised Polish construction company now quoted on the Warsaw stock exchange, is one of many Polish construction companies which is not only busy building western-style factories, hotels and office blocks in Poland but is among many central European construction companies helping to rebuild eastern Germany and win contracts in western Europe and further afield.

At the same time western construction companies, architects and building service companies, including British construction companies such as Bovis, are actively seeking work in the region. In one notable development YRM, a UK-based building design consultancy with several overseas hotel projects behind it, has joined Higgs and Hill (Overseas) and the city council of Prague district 6 in a consortium to design and build a world-class hotel and office complex in the grounds of the Praha hotel. Built in 1981 for the exclusive use of the Communist party central committee, this boasts a large park, is close to the city and only 10 minutes from the airport.

Meanwhile, central European cement and glass companies have been high on the list of foreign investors anxious to secure new, low-cost sources of construction materials in anticipation of a long and sustained boom in construction work over the next decades.

Similar thinking lies behind a raft of strategic investments by Asea Brown Boveri, Siemens, General Electric, Westinghouse and other energy-related engineering companies. All believe that big contracts will eventually come their way as east and central Europe makes safe its Soviet-designed nuclear power plants and tackles air and water pollution problems by installing new anti-pollution equipment or replaces wasteful and polluting old plant.

In the meantime, their investment in modernising production facilities in this region is already paying off by giving the parent companies new, low-cost, sources of components and equipment which help to keep overall costs low and improve competitiveness in western markets where wage costs of skilled workers are often 10 times higher.

Andrew Taylor reports on a downturn in prospects

UK activity fails to sustain a bright start to the year

OPTIMISM that the worst UK construction recession in memory might be loosening its hold has evaporated since Easter.

The revival in the UK housing market, which contractors and building material producers hoped would presage a more general recovery in construction, has weakened as consumer confidence has deteriorated.

Office building is unlikely to recover even if other areas start to improve

Inquiries from potential purchasers have slowed as concern about the state of the British economy has failed to ebb. The outlook for other areas of construction also remains weak. Private investment in factories, shops and offices is unlikely to recover until other manufacturing and service industries see some improvement.

The general consensus among contractors and building material producers is that the industry is either bumping along, or, only very gently, floating off the bottom. They are still waiting for indications that a more enduring revival is about to take root.

Overbuilding during the late 1980s means that office construction is unlikely to recover even when other areas start to improve. Office building by the end of this year is expected to be running at almost half the peak level achieved in 1990.

Industry forecasts* suggest that the fall in total construction output, including repair and maintenance work, could be restricted this year to just 0.5 per cent depending on the strength of the recovery in the private housing market.

This would follow output declines of 5.5 per cent in 1992 and 9 per cent in 1991 according to the joint forecasting committee of the construction industries. The committee, which includes representatives from government, contractors, building material suppliers, banks, building societies and large industrial customers, is forecasting only a 0.5 per cent rise in construction next year.

Companies, therefore, are desperately concerned that ministers should not seek to cut public spending on construction as they battle to reduce a public sector borrowing requirement that is forecast to reach £50bn this year.

Sir Robbin Biggam, chairman of BICC, the engineering group which owns Balfour Beatty, the construction company, says a reduction in government spending on road programmes, or the curtailment of projects such as the extension to the £1.8bn Jubilee underground in London, would ensure that any tentative recovery would be "halted in its tracks".

The underground extension has been delayed by differences between the government and bankers of the failed Canary Wharf Docklands office over the private sector's £400m contribution. Contracts for large parts of the development have been agreed in principle. It is one of the very few big projects where construction could start almost immediately. To lose the work would be a serious blow.

Work is so short that profit margins on many construction jobs remain low to non-existent with contractors bidding at prices that barely cover expected costs. In some cases jobs are being taken at a projected loss with contractors hoping to make up margins by making claims against changes in design and contract specifications which occur on many jobs. Construction lawyers are likely to be very busy over the next few years.

Increased prices for plasterboard, structural steel, glass and concrete, announced earlier this year, are adding to the concerns of contractors, already working on very low margins.

Sir Brian Hill, president of the Building Employers' Confederation, the largest employer organisation, warned earlier this month: "Our markets are suffering from a lack of consumer confidence caused by political and economic uncertainties, speculation about possible tax increases and a continuing fear of unemployment.

"This is having a particularly severe impact on the private housing market which, having shown an improvement in prospects in the spring, has now faltered with reservations and house sales falling since the beginning of May."

A confidential survey of sales returns by 15 of the country's largest housebuilders, compiled by the Housebuilders' Federation, reveals a sharp fall in visitors to show houses since the beginning of May.

Net reservations – sales on which deposits have been paid, less cancellations – rose by about 10 per cent during the first two weeks of June compared with the corresponding weeks last year. Weekly sales this spring were running more than 35 per cent higher than last year.

At one stage during a four-week period at the end of March and the beginning of April, net reservations were as much as 50 per cent higher than last year.

House sales traditionally slacken during the summer and builders hope that they will see a return to much higher levels of demand in September and October. Comparisons ought to look good against last autumn, when house sales plummeted as interest rates fluctuated wildly ahead of Britain's decision to withdraw sterling from the ERM.

Builders, nonetheless, remain very nervous. They are concerned that some of the steam appears to have gone out of the market after a good start to the year.

A sharp fall in visitors to show houses since the beginning of May

Until the UK housing market starts to enjoy a more consistent revival, it is hard to see other areas of construction recovering. A recovery in general contracting may not occur until 1995. Trading conditions are likely to remain tough. Building material producers, however, may be helped by lower costs and higher prices as conditions start to ease.

*Construction Forecasts 1993-94-95; £50; Construction Forecasting and Research, 39 Kingsway, London WC2B 6TP.

Why the outlook for the industry in Germany is now less cheery

Bonanza is some way off

WHILE Germany's manufacturing industry is suffering its worst recession since the end of the second world war, its construction industry is still an engine of economic growth – but only up to a point.

As a recent report from the Hypo-Bank economics department concludes, the outlook is becoming less cheery here, too, despite boom conditions in eastern Germany.

The western industry – worth DM320bn last year – still dwarfs the sector in the east, worth DM57bn. Though growth in the east is set to continue at a double-digit rate, in the west the recession is beginning to take effect.

Last year total construction activity in western Germany rose by 5.6 per cent – after growth of 4.1 per cent in 1991 and 4.9 per cent in 1990. The current year's growth is likely to fall back to less than 1 per cent.

This conceals a sharp turnaround in two out of Germany's three main sectors, reflecting the depth of the recession and the impact of public spending cuts in western Germany. Only housebuilding is set to grow this year, while industrial and public sector construction are both in decline.

According to the DG Bank, private sector industrial construction in the west will fall by 2 to 3 per cent – after growth of 4.7 per cent in 1992 and 4.8 per cent in 1991. This reflects a time-lag effect as German companies scale back their construction plans, after a 2 per cent reduction in investment in machinery and equipment last year.

In the public construction sector in the west, there will also be a fall of 2 to 3 per cent, the DG Bank predicts. As the Hypo-Bank comments: "To approach the goal of reducing debt... [regional] governments can hardly avoid reducing public building expenditures ... the financial strains imposed by the solidarity pact [between unions, government and business] and the associated shortage of public funds are becoming increasingly evident."

The bank expects a drop of at least 2 per cent in real terms in government expenditure on construction this year.

The third – and still prospering – leg of the west German construction sector is housebuilding. Growth in this segment of the market, which accounts for 50 per cent of the western total, is set to be 3 to 4 per cent this year. This is half the growth rate of 1992 but the fundamentals are in favour of further, steady growth throughout the 1990s.

One factor is that – in spite of the international brouhaha over the Bundesbank's monetary policy in the last year – long-term interest rates are at historically low levels. This acts as a stimulus to private housebuilding.

However, the main reason for growth here is what Hypo-Bank calls a "gaping hole" in the western German housing stock. Some 375,000 units were built last year but the bank calculates that the unfulfilled need is as high as 2m units in the west alone.

This reflects high levels of immigration into the country – 438,000 asylum-seekers came to Germany last year and a further 231,000 immigrants. Social change – the tendency of people to live in ever-smaller family groups – also plays a role.

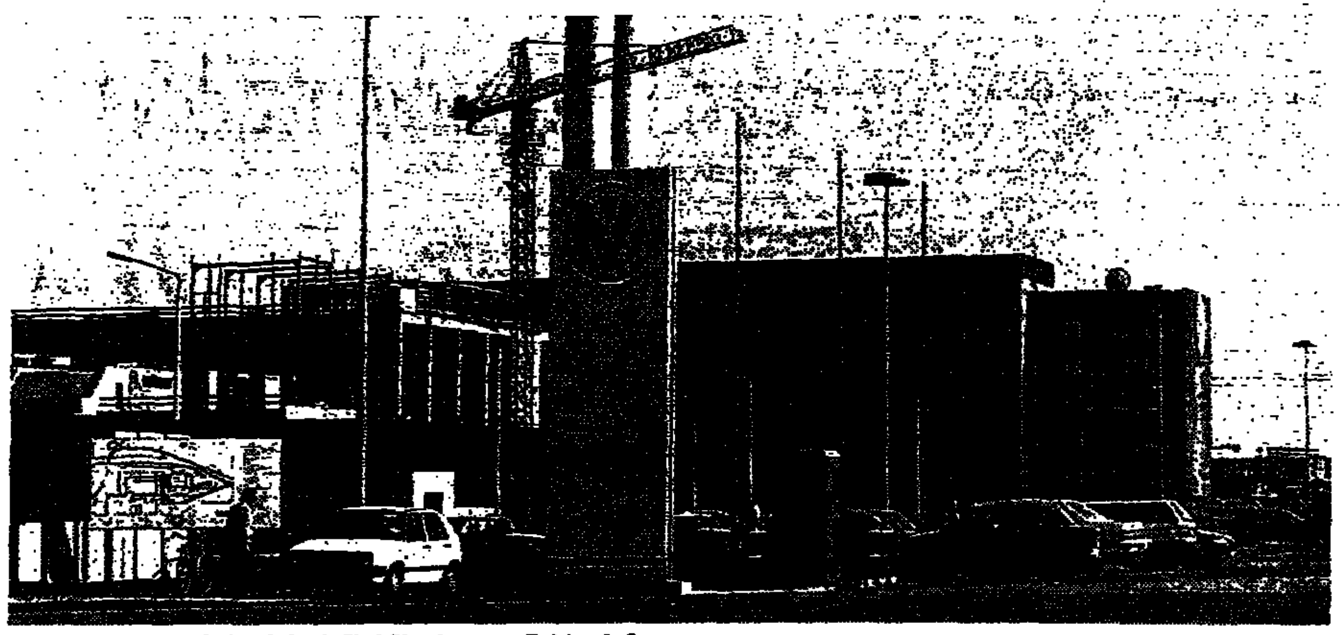
In the east of Germany, there was a substantial drop in the number of new homes built last year: just 11,500 units were built compared to 62,500 in the previous year. About 30,000 houses will be built this year. The low level of activity – to some extent compensated for by high levels of expenditure on modernisation of old housing stock – reflects social and economic insecurity as east German citizens worry about mounting unemployment.

Commercial construction in the new Länder (states) rose by a third last year to DM26.3bn, about half of the total activity in the east. The pace of growth is likely to slow as western companies feel the impact of the recession and many have already cancelled plans for investment in the east. But Hypo-Bank is predicting growth of DM5bn in this sector this year – stimulated by a vast array of government incentives including investment bonuses, simplified write-off opportunities and cheap finance.

The main dynamic for the eastern construction sector will be the state – partly, indirectly, via subsidies to the private sector – but also directly. Direct public sector expenditure grew by 38 per cent last year to DM14.3bn and is set to climb by at least DM3bn this year as the federal and regional governments fulfil their commitment to bring east German infrastructure up to western standards.

This will provide a bonanza for the construction sector – for domestic and foreign contractors, for suppliers of building materials and for skilled craftsmen. The hope is that this will act as a stimulus for a regeneration of the eastern German economy as a whole. For the time being, it is enough to ensure that the German construction industry will avoid the worst of the malaise currently afflicting the manufacturing sector.

David Waller



The new Volkswagen factory being built at Glauchau, near Zwickau in Saxony

Tony Andrews

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ITALY: The award of public contracts has been paralysed by a political scandal, reports **Peter Cooper**

After the dust clears, recovery can start

THIS IS an exceptionally difficult year for the £80bn Italian construction market. A sharp downturn in the business cycle has coincided with a major scandal over public sector contract awards.

The market forecaster Cresme predicts a 5 per cent fall in total construction output in 1993. But even that could prove optimistic. There was a 17 per cent fall in cement consumption in the first quarter of the year which points to a much bigger decline in construction output.

At the moment the award of public sector contracts is virtually paralysed by the *Mani Pulite* (clean hands) inquiry. Ten of the top 15 Italian contractors are under investigation for the alleged illegal funding of political parties. The biggest name in the industry, £750m-a-year Cogefar-Impresit, heads the list; other companies include £230m-a-year Grassetto and £360m-a-year Lodigiani.

More and more contractors, politicians and government officials have been implicated in the scandal surrounding the alleged payment of party political contributions to secure public sector contracts. So far this year, the number of such contract awards has slumped by more than two-thirds.

The £16bn-a-year public sector construction market is in disarray. Large civil engineering contracts are the hardest hit by the crisis. But the £2bn-a-year public sector building sub-sector is largely unscathed. A five-year modernisation of barracks for the *Carbinieri* and a prison rebuilding programme are unaffected.

The crisis is also damaging private sector work. Planning permission is at present almost impossible to obtain in the big Italian cities because everyone is afraid to take a decision that might attract the magistrates' eagle eye.

"The wave of scandals has not only blocked public sector contracts worth £12bn a year, but has also shut down £42bn worth of private sector projects," says Mr Riccardo Pisa, president of the National Building Association. "There is no longer anyone who has the courage to approve any type of scheme."

Market commentators think things will get worse before they get better. "The government will have to cancel projects like the high speed train to reduce its budget deficit," says Professor Aldo Norso of Milan University. "Public spending on construction will fall."

Recovery hopes are pinned on the private sector which, contractors believe, will become more involved in infrastructure development. There are reasons for optimism. Italian motorways are tolled, and their development could be financed privately. Italians are also the biggest savers in Europe, and might be persuaded to invest directly in infrastructure schemes.

Of more immediate interest to contractors are the proposed giant commercial building projects, such as the plan to build a Canary Wharf-style financial district near the Garibaldi station in Milan. These developments are stalled by the political crisis. Nonetheless, property agents report a shortage of high quality office space in Italy as well as inadequate hotel accommodation and retail space. A commercial building boom is in prospect in the near future.

George Soros, the Wall Street investor, rates Italy as having the best investment potential of any country in Europe

Mr Paul Bacon, of Milan-based commercial property agent Healey & Bacon, says there is a shortage of quality office accommodation in Milan, with less than two years' supply. He points to many opportunities for retail chains. "Out-of-town shopping is very underdeveloped in Italy and many of the big international names are absent from the high streets," he says.

However, commentators do not see the commercial building market improving greatly until a new government is elected in the autumn and confidence is restored in the Italian economy.

Mr George Soros, the well-known Wall Street investor, currently rates Italy as having the best investment potential of any country in Europe. Italian contractors hope others will heed his advice, and look for investment opportunities at the bottom of a very deep business cycle.

WT Partnership, the British quantity surveyor, has established a 12-strong office in Milan in anticipation of a private sector boom. It hopes to advise developers on new projects.

"We see the current political crisis clearing in the next 12 months," says Mr Roy Merritt, a WT partner. "Electoral reform should provide the catalyst for economic stability. The situation is already improving in Milan with the election of a new mayor and council. Italy is going through a quiet revolution, and those looking to take part in the recovery should be making a move now, not next year."

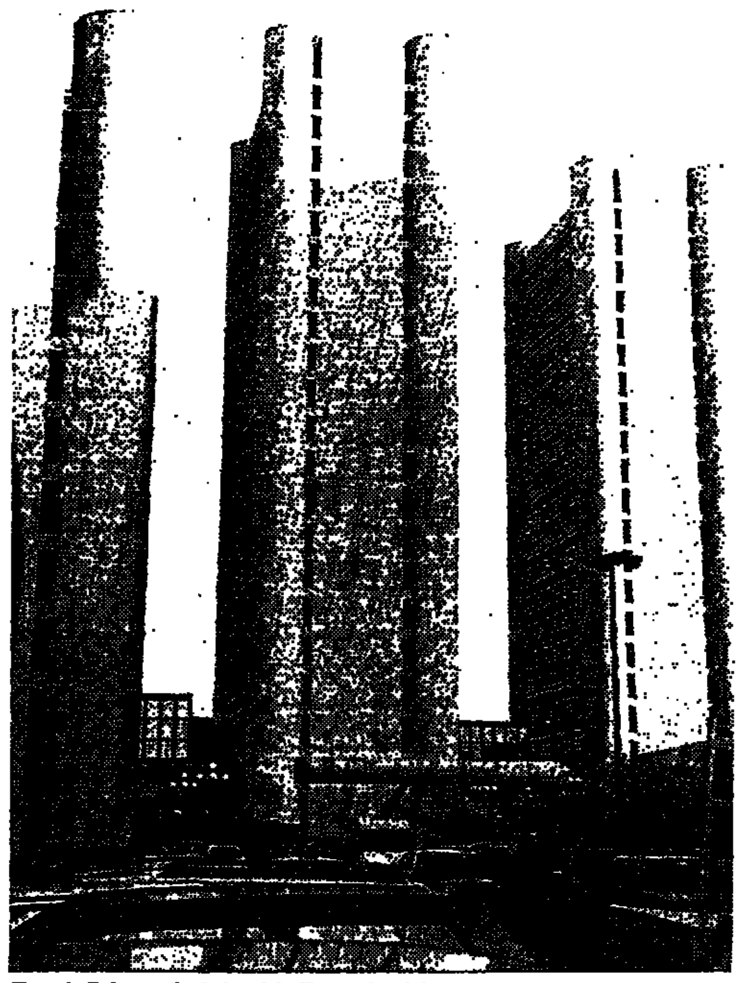
This year the private sector has benefited from a fall in long-term interest rates from 15 to 11 per cent. The devaluation of the lire last September has also helped to keep the private sector competitive internationally. All the same, Cresme still sees a 6 per cent decline in commercial and industrial construction output in 1993, before a 1 per cent upturn next year.

Consumer confidence has taken a tumble during the political upheaval. Forecasters say the impact of the crisis on both private purchaser confidence and public housebuilding activity will depress housing starts from 278,000 last year to 265,000, despite a sharp fall in mortgage rates from their 18 per cent peak last December.

But most market analysts think a new government will succeed in cleaning up the system. It would have a revolt on the streets if it failed to do so. Feelings are running very high among contractors and materials producers who are seeing their businesses ruined.

So it is more than likely that the Italian construction industry will somersault from seemingly intractable public paralysis to private prosperity. The industry is at a major turning point. It is shifting its focus from the public sector to private-led development with international participation.

Yet this is a horribly painful process for those trying to earn a living this year: 1993 will be a difficult period for Italian contractors and material producers. Even the infamous Italian "Black Economy" is in for a rough ride, with Cresme forecasting a 4 per cent fall in activity to £11bn this year.



Flere de Bologna, the industrial office park estate — Trevor Humphries

Help may not be enough

FRANCE: **Andrew Taylor** considers the likely impact of the Balladur government's plans for public works

THE FRENCH construction market has been in decline since the second half of last year. Despite the rescue programmes announced by the new conservative government, most construction companies and building producers expect output to fall further this year.

At best, turnover will be flat next year. Few companies expect much growth in 1994.

Recovery, they say, will have to wait until the French economy improves. While unemployment continues to mount, consumer confidence will remain weak. The public will spend less on goods and manufacturers and shops making and selling them will continue to lay off workers.

As a result, companies are more likely to close factories and reduce operations rather than invest in new buildings and better facilities.

Lafarge Coppée, the French cement producer and one of the world's biggest building materials companies, says that sales of cement in France during the first six months of this year fell by more than 10 per cent.

The rate of decline is likely to slow in the second half, says the company, only because comparisons will be made with a very poor second six months in 1992. Even so, it expects cement sales in its home country to be down by about 8 per cent this year following a similar fall in 1992.

Government and independent forecasters have suggested that the fall in total construction output will be between 2 and 3 per cent this year. Contractors and building materials producers believes this understates the true extent of the steepness of the downturn which they say is more in line with the decline in cement sales and one of the best guides of construction activity.

Bouygues, among the country's biggest builders and civil engineers, has forecast a 6 per cent fall in its French construction turnover, including road building, this year.

Most contractors expect total construction output to fall by at least 5 per cent this year, despite plans by the government to encourage higher spending on public works and housing.

Mr Edouard Balladur, the prime minister, hopes this will be achieved through a mixture of tax incentives, increased borrowing capacity for local authorities and subsidised mortgage rates for the poor.

The government's plan, announced in two stages during May – and with further proposals likely – involves freeing an extra FFr18bn (£2.05bn) to be spent on public works during the next two years.

Part of this will be channelled through a five-year programme of jointly financed central and local government projects, mostly roads, due to be completed by the end of this year. Authorities are to be allowed to raise more money to enable this to reach its target of 97 per cent completions, instead of 86 per cent currently.

A new five-year programme is to be announced shortly and will provide a further guide of the government's determination to use the construction industry to revitalise the French economy.

Extra public money is also to be found to enable very large infrastructure projects, which had ground to a halt because of lack of funds, to be completed.

Beneficiaries are expected to be the Tunnel du Somport, a road tunnel through the Pyrenees and the A86 orbital motorway around Paris.

The industry has welcomed the fillip but points out that many of these schemes were already in the programme. The extra FFr18bn, provided it can be raised, compared with a total spend on construction last year, excluding the do-it-yourself market and black economy, of more than FFr650bn.

The government has also moved to assist the housing market with a programme of tax and interest rate incentives which it hopes will raise the number of homes built by 30,000 during the next 18 months.

High real interest rates and fear of unemployment have severely weakened the French housing market. The number of new home starts last year fell by 8.5 per cent to 277,000 from 303,000.

Mr Pierre Bosset, French construction analyst with stockbrokers James Capel, says that builders expect housing starts to fall to about 250,000 this year.

"The Balladur plan might add another 5,000 starts this year and perhaps another 10,000 to 15,000 next year but is unlikely to add more. Housing will remain a difficult market while companies are announcing redundancies daily. French interest rates are still high by comparison with Britain," says Mr Bosset.

Overbuilding in the late 1980s means that investment in office construction is unlikely to improve even when the rest of French construction recovers. Paris is estimated to have four years' supply of offices either built or in the process of construction, much of which will need to be taken up before new schemes are contemplated.

Private investment in factories and shops will not improve until the general economy recovers and consumer confidence increases. There are few signs of this happening in the short term. Gross domestic product is expected to fall by about 1 per cent this year while the unemployment rate is forecast by the French National Institute of Statistics to rise to 12.5 per cent.

Meanwhile manufacturers, which have suffered under the French government's policy of protecting the franc's value through high interest rates, have been running down stocks and closing unused production capacity.

Government efforts to encourage housing and increase public works will take time to work through and at best may only stem the decline in construction output rather than reverse it. Contractors and building material producers can expect more pain in the second half of this year. Recovery may have to wait until 1995.

THE NORDIC COUNTRIES: **Christopher Brown-Humes** on the outlook after the recession ends

Scars that may take long to heal

FOR THE Nordic region's beleaguered construction groups, the market collapse of the past few years must at times have felt much more severe than a normal cyclical downturn.

The crash in Finland and Sweden, in particular, has been harder than anything they have experienced in the past 50 years, although economic recession and high interest rates have also taken a severe toll on building activity in both Norway and Denmark. Heavy job losses and bankruptcies have been common to construction companies in all four countries, while the related collapse in real estate values has done more than anything to create the region's wider financial sector crisis.

The immediate outlook is not much brighter. Norway can point to some encouraging signs – office vacancy rates have started falling, for example – and at least its government can finance big infrastructure investments without putting too much stress on its budget. That is not the case in Finland or Sweden where building activity looks set to slump further both this year and next. Danish builders, meanwhile, may see an upturn in the domestic market next year, but they are likely to find the going harder in eastern Germany where contracts over the last two years have done so much to cushion them from the impact of domestic recession.

Part of the reason that Sweden and Finland seem to be in a deeper mess is that the downturn reached them later in the cycle and factors other than severe economic recession have added to their difficulties. The decline in Sweden has been accentuated by the removal of many of the government subsidies which fuelled the building boom of the late 1980s.

Construction volume has fallen by around 50 per cent in the past three years and investment is down from SKr237.5bn in 1990 to an estimated SKr195.8bn in 1993. One in four building workers has lost his job since 1991; employees in the sector have fallen from 320,000 to 235,000, amid some estimates that the figure could drop below 200,000 by the middle of next year.

One of the worst affected sectors has been housing. Investment in new housing has halved since 1990 to an estimated SKr32.9bn this year, with the Swedish Construction Federation predicting a further halving next year to just SKr16.4bn. Office building has also fallen off sharply after the over-development of the 1980s.

But some areas have held up much better, including road construction, rebuilding and maintenance work. These sectors are also expected to be growth areas in the short term, although not to the extent that they offset the decline in housebuilding and office construction.

The best piece of news the Swedish construction industry has received recently came in March when the government announced plans to spend SKr98bn on new road and rail networks over 10 years. A total of SKr36bn has been earmarked for the 1993-94 to 1995-96 period.

Critics allege, however, that the timing and scale of the investments are too uncertain to give the market a feeling of optimism, and that in any case infrastructure investments of SKr10bn a year are not enough to offset the industry gloom.

Several big projects are being lined up, including the construction of a railway from Stockholm to Arlanda (where Stockholm's airport, 40km to the north of the city, is located) and ring-roads round Stockholm, Gothenburg and Malmo.

However, no infrastructure development is bigger than the proposed bridge/tunnel over the Oresund strait between Sweden and Denmark. This project, on which construction was originally supposed to begin this year, has been delayed by environmental and political wrangles and the firm go-ahead has still not come from either Denmark or Sweden. Few expect construction work to begin before next year.

For many of Sweden's smaller and medium-sized construction groups, the market downturn has already resulted in bankruptcy. For the bigger companies, it has meant heavy losses and weakened balance sheets but major rationalisation and re-orientation have so far ensured survival.

Scandinavia's largest construction group, Skanska, made a SKr3.14bn net loss last year, largely because of property write-downs and losses on financial operations. The downturn in the Swedish construction activity had a clear impact on its performance, with revenues from this sector falling 11 per cent to SKr17.45bn from SKr19.6bn. Overall revenues fell to SKr31.9bn from SKr34.7bn.

One of the ways in which the group has responded to the crisis is by seeking to boost its overseas operations, though that has not proved easy as many other western markets are also in recession. Recent efforts have focused on the east European markets, where construction demand is likely to grow in the years ahead. The group has opened offices in Berlin, St Petersburg and Tallinn in the past year.

Skanska says the outlook for the Swedish construction market remains depressed, although the market "will probably reach the bottom next year," according to Mr Lennart Hallberg, a senior vice-president. Even when the recovery does get under way it will be weak, says Mr Hallberg, and the boom construction years of 1989 and 1990 will never return.

NCC, another big Swedish construction group, suffered a SKr1.2bn loss after financial items last year, with large property write-downs again largely to blame. But it has also pursued a vigorous rationalisation programme and repositioned its activities to survive the downturn.

"Although we expect the construction market to continue to shrink, NCC's product mix, with a high proportion of roadwork and civil engineering products, corresponds favourably with the anticipated areas of market growth," says Mr Torsten Eriksson, the group's president.

Nevertheless, there is a real worry that if the downturn continues for much longer, the construction industry will not be able to respond effectively when the economy recovers its balance. The Swedish Construction Federation has already warned that if the government does not take more active measures to encourage building activity now, the result in the second half of the 1990s could be capacity shortages, overheating and inflation.

THE NETHERLANDS

A growth track - but from 1994

THE DUTCH construction industry is poised for a return to growth in 1994, boosted by the prospects of several big public sector infrastructural projects, particularly in railway construction.

Overall, production in the construction sector showed a further 1 per cent decline in 1992 and is projected to fall by more than 3 per cent this year as worries about the likelihood of recession lead many companies to put off investment.

But recovery seems set to take hold, albeit cautiously, next year, helped both by expectations of higher economic growth for the Netherlands as a whole as well as by the government's aim to improve the country's infrastructure.

However, the Netherlands' three biggest construction companies – Hollandsche Beton Groep, Volker Stevin and Boskalis – are so international in orientation that their fortunes will also depend crucially on the state of the construction market in other countries including Britain, which appears to be climbing out of recession, and Germany, which is still in the grips of economic malaise.

HBG and Boskalis will also be affected by the outlook for the global dredging sector, where overcapacity appears to be waning and prices are firming.

Last year, this international outlook meant that all three construction groups posted higher profits, despite the continued weakness of the domestic market.

The Dutch government's plans to invest more heavily in infrastructural projects over the rest of the 1990s look likely to help not only the entire sector but also those companies which specialise in railway construction.

Although new procurement rules in Europe mean that some of this work will go to competitors in other companies, Dutch construction firms are expected to benefit most from the orders in the pipeline.

The biggest but also the most controversial project is the proposed construction of an all-freight railway line linking the port of Rotterdam to the German border. The Fl 6.2bn ($3.3bn) "Betuwe Line", named after the fruit-growing region through which it will pass, is designed to enable Rotterdam, the world's largest port, to retain its traditional role as a conduit for goods passing to and from Germany's industrial Ruhr area to the sea. Construction is set to begin in the mid-1990s, with the railway itself due to open in the year 2000.

However, a vociferous "Not In My Backyard" campaign by local residents could force the government to search again for new ways of keeping disruption and nuisance to a minimum. One proposal, vigorously opposed so far by the government, is to put the entire 72-mile railway line under ground. This would inevitably push up costs, but the additional work would be welcomed by the Dutch construction industry.

A second railway project is the planned construction of the high-speed TGV train link between Brussels and Amsterdam as part of a wider effort to connect the capital cities of north-west Europe. Work on widening train stations and putting down new tracks has already begun, but controversy still surrounds the exact choice of route south of Amsterdam and Amsterdam's Schiphol Airport. Opposition by environmentalists to the TGV passing through a nature reserve is not expected to lead to any major delays in construction.

Besides these big projects, the public sector is also expected to pour more money into new ministry buildings, schools and hospitals as well as into roads and tunnels, some of which will be partly funded by the private sector.

A major project aimed at doubling the size of Schiphol Airport by the first decade of the next century is already under way, providing additional support to companies operating in the public sector and generating related orders in road and tunnel building.

These public projects in the non-residential market will buoy the sector in 1994 as private sector investments in office buildings and industrial sites slowly begin to revive, supplying a second motor for the industry's growth.

Residential construction – which has been virtually flat in the past couple of years, with a projected drop in 1993 likely to cancel out 1992's small rise – is not expected to play a big role in the recovery, at least not in comparison with the stimulus provided by infrastructural projects.

Ronald van de Krol

Manchester Airport's new £265m international terminal became fully operational in March. Taylor Woodrow was responsible for the overall project management, which helped the airport to double in size. There were 17 separate contracts, involving some 200 contractors and suppliers

SPAIN: apart from government plans, the outlook is bleak

Dams lessen the drought

SPAIN'S construction industry can thank its lucky stars that it rains less and less on the domestic plain. A state of sustained semi-drought in the past years has prompted the government into unveiling major dam building projects.

The sector is fortunate also that the government, which is obsessed with raising Spain's competitiveness and with narrowing the gap with the European Community through the ambitious convergence programme it has mapped out for itself, has made road building a priority.

All in all, the government has pledged Pta18,000bn over the next 15 years, an accumulated total of Pta1,200bn a year, for civil engineering works. "The promises and the programmes of those in charge of economic policy in the coming years guarantee continuity (for the sector)" Seopan, the construction industry federation, noted in its newsletter last month.

Outside the government's plans, the outlook is bleak. The number employed in construction was down to just 1.1m at the end of the first quarter of this year, 7 per cent below the sector's total labour force at the same stage last year.

Inevitably, the industry has been an early victim of the accelerated slowdown of the Spanish economy, which is now officially in recession. The GDP recorded 0.7 per cent negative growth in the last quarter of 1992 and shrank by 1.1 per cent in the first quarter of this year.

Last year, 104,100 construction jobs were lost, most of them in the second half of 1992, and a further 40,000 jobs vanished in the first quarter of this year. Cement consumption fell by 16 per cent in the first three month of this year.

However, Seopan sees signs of a silver lining. In April the rapid decline of jobs in the sector braked sharply as unemployment rose by just 2,200. Cement consumption in April fell by only 11 per cent, bringing the accumulated loss over the January-April period down to 14 per cent.

The chief reason, virtually the sole one, for the silver lining was a recovery in official tenders. Provisional figures for contracts through to the end of April rose to Pta529bn, which was more than double the total over the same period last year in constant pesetas.

The official tenders came from right across the administrative board. Contracts by the central government were up by 41 per cent, those tendered by the regional authorities increased by 52 per cent and those by local authorities were up by 61 per cent.

The lion's share of the increased contracts originated from the Public Works ministry with a 387 per cent rise in tenders. This department is providing a lifeblood to the sector with the 15-year long infrastructure programme.

The major road building projects that are already under way include an east-west motorway along Spain's northern coast, a north-south one that will run alongside Spain's western border with Portugal and a third, originating in Valencia on the Mediterranean, that opens a new route into France via a tunnel system midway along the Pyrenees mountain range.

The ministry has also earmarked major improvements to secondary road systems and to big city ring roads.

The national hydraulic plan is still in the blueprint stage but it involves considerable dam building activity to transfer water resources from the wetlands in the north of the country to reservoirs in the dry central area.

If the full infrastructure programme is implemented, then the construction sector can look forward, in the very worst of scenarios, to a prolonged period of stability based on the 1992 levels. The sector underwent a shake-out last year when growth stopped short in its tracks but, thanks to the onset of the infrastructure programme, that drop may have marked the industry's nadir.

The "if" is however very much an operative word. "We will lean towards pessimism until we see what the 1994 budget looks like," says Mr Victor Martinez, a construction industry analyst at Madrid brokers AB Asesores. Analysts fear that the ministry's spending spree could be trimmed by budgetary constraints.

Tom Burns

Alive and kicking in the US

Total quality management is alive and kicking within large US companies, in spite of the problems some of them have had with it in the past few years. Almost all those which have initiated TQM are continuing or intensifying it. They expect it still to be one of their top initiatives by 2000.

These are some of the conclusions which emerge from a study* of member companies of the Business Roundtable, an association of more than 200 large corporations. The study, which drew responses from 106 companies (90 chief executives and 92 "quality officers"), was carried out by Delta Consulting Group, a New York firm.

Delta has a strong professional interest in rehabilitating the image of TQM at a time when many large companies have been seduced by the more dramatic-seeming promise of business process re-engineering. But that does not make its findings any less striking.

Delta's president, David Nadler, has argued – in common with some re-engineering consultants – that TQM and re-engineering are complementary and companies would find it counter-productive to drop one in favour of the other.

TQM, if handled properly, delivers gradual but continuous improvements in many aspects of business performance, while re-engineering attempts to create a more dramatic impact on business processes over shorter periods of time. It employs some of the same tools and techniques as TQM.

In the Delta study – Ten Years After: Learning about Total Quality Management – chief executives reported two particular problems with TQM: it took longer than expected to take effect; and some senior managers were still not sufficiently skilled in it.

Quality officers generally saw more problems than the chief executives did. They were more negative on: senior management knowledge and skill; conflicting values among key senior managers; the lack of perceived need for change; and strong resistance to change.

The "top TQM company" most admired by the respondents was Motorola, followed by Xerox, Milliken, AT&T, Ford, Corning, Federal Express, GE, 3M and IBM.

* *Available from Delta, 521 Fifth Avenue, New York, NY 10175.*

Christopher Lorenz

Culture vultures

Cigna's UK operation has reaped the benefits of re-engineering, writes Adrian Michaels

CONTRARY to the gospel preached by several re-engineering evangelists, experience has taught Susan Kozik not to start the process without first launching a *programme of culture change*, especially for middle managers. She and her colleagues confound conventional wisdom in other ways, too – including how they handle people who resist change.

Kozik is a vice-president of Cigna, a US insurance company, and a leading member of its internal re-engineering team. Since 1989 she has seen at close quarters the varying success of re-engineering in the insurer's 10 divisions. They all have projects either completed or under way, but the methods used have changed considerably in that time.

In particular, emphasis has been shifted to beginning cultural *change* a few months before the start of a re-engineering programme. "In some of our earlier efforts we had not held enough meetings of all staff in time to prepare them for the new language and thinking of re-engineering," Kozik says. Without this and *other* cultural initiatives such as the introduction of *team-based* pay incentives, change tends to be rejected quickly when it does arrive, Kozik says. It then takes far longer to reap any benefit from re-engineering.

Cigna's experience with cultural change has been put to good use over the past two years in its UK arm, Cigna Employee Benefits. In mid-1991, four months before it started to introduce cross-departmental business processes in place of a functional hierarchy, staff began meeting Kozik's group twice a day to learn about re-engineering and teamwork. Later, teams of staff were rolled out and put to work in newly designed business processes. The meetings were used by staff to review work done and to set goals.

Since then Cigna's UK operation, which specialises in group health insurance, has turned six separate business functions into two processes based on *pre-* and *post-sales* activities. The time it takes to give a quote has been cut from 17 days to two, and staff who used to process between 35 and 40 claims a day are now working through 75 to 90 a day. As a result of this – and a move from the south-east to a lower-cost site in Greenock, Scotland – more than £1m has been shaved off costs. The unit's underwriting loss of £2m in 1992 is set to become a profit of more than £2m this year.

It is not solely because cultural change came first that things have gone so well.

Cigna has other ways to tackle managers *who dig their heels in*. First, all managers are interviewed by the re-engineering team before a decision to start change is taken. They are asked what they think *about change and their attitudes* are carefully recorded.

Not everyone can be persuaded.

All managers are interviewed by the re-engineering team before a decision to start change is taken. Their attitudes about change are carefully recorded

Once the UK team had decided to go ahead, in spite of the expected resistance from particular people, it accomplished something novel to the parent company.

"The *easiest thing to do with* senior managers who do not like re-engineering is to go round them," says Roger Dockett, managing director of the UK operation. "But *we have actively sought to put* people most resistant to change in some of the project's first positions of responsibility. We did lose about 5 per cent of staff this way, but we have won over a lot more."

Dockett says that two senior managers had their jobs changed very early on. "*At first they felt* very threatened because decisions they were used to making every day were being taken by much more junior staff. Now they realise that as leaders of a whole process they have much more opportunity to influence the organisation."

Another way of increasing staff commitment would also raise a few eyebrows in the UK. *The initial* process design was fairly cursory, and in some cases non-existent. Cheerfully, Dockett says the abiding principle has been "do it, test it, fix it".

The first time this was tried in the post-sales part of the business two people, each from administration, claims and accounts were taken from their desks and seated together round a different desk. Management's instruction was simply to carry on with their jobs. A few days later the group was processing far more claims.

Allowing a cross-functional team to design a process shows a measure of respect for junior staff that is not immediately apparent in all other companies trying to re-engineer themselves. Kozik says that some of the US divisions of Cigna were scared to let more junior staff embrace the changes in this way. "After our first programmes we learnt that you can trust the teams. Management who tried to hand down changes were missing out on the most knowledgeable group of people. For smaller process changes we now allow *staff* to design the new processes. For broader changes we use the teams as a source of ideas."

Both Kozik and Dockett say that, *if staff are working in processes* that they have built, many cultural changes follow more naturally – such as pride, process ownership and a team mindset. It is an effective way to change staff attitudes without stand-alone cultural seminars and training programmes.

Cigna has also made 15 per cent *of* individual salaries related to the performance of the team. That figure, too, was decided by more junior staff. Kozik says: "Too many top managers assume that staff do not want to risk their salary. Why not go out and ask them how much they want to risk?"

By *contrast, Cigna's first* re-engineering project in the US "did not discuss reward systems early enough", Kozik says. "We had introduced teams but not team goals. Whether teams will go the extra mile for the customer depends on monetary and non-monetary rewards." Kozik does not pretend that Cigna's UK re-engineering is the only way to approach the subject. "You cannot clone re-engineering. This is not something you can learn from a book. It's about people and personalities."

Previous articles in this series appeared on May 24, June 2, 11, 18, 24, July 5 and 12.

Nothing to do with ability

Adrian Furnham outlines some of the pitfalls of employee appraisals

Customer satisfaction surveys and rating forms are, like traffic wardens, ubiquitous. Hotels, airlines, restaurants, even churches provide cards and forms asking customers to rate their services, products and personnel. But few people offer feedback, so some institutions offer incentives such as a free drink or a cheap calculator to encourage customers to comply and improve the response rate.

Most managers also have to evaluate the performance of their subordinates by completing an appraisal at least once a year. For some this is a bit like a school report, with the most common comments being "satisfactory" or "adequate".

Given the general loathing of unstructured report-writing, most organisations devise appraisal forms where boxes are ticked to indicate the quality of performance against various criteria.

Even so, rating others may be deeply counter-cultural to the British, though popular in the US. *British people prefer to fudge with* pleasant but meaningless phrases. Despite – or perhaps because of – the fact that Britons have experienced the capriciousness of school or university grading, they resist inflicting it on others.

Many managers dislike rating subordinates precisely because such evaluations are supposed to be objective and impartial; they know all too well the errors and injustices that can occur in the process.

Perhaps the most common error is the halo effect.

It is not unknown for female *secretaries and personal assistants* to be selected more for their legs than their word-*processing ability*. All interviewees know that appearance may be as – if not more – important than ability in getting a job. Most attempt to create a positive halo by emphasising their best qualities.

A second cause of error and lack of objectivity lies in being too lenient or indeed too harsh.

The error is called central tendency. However long the rating form, and whatever its contents, some managers routinely tick all the central boxes on the rating *form* and avoid the extremes. They do so because they do not want to over-praise an individual and thereby raise expectations of promotion or salary increase. They also avoid the low scores because they want to avoid controversy over the appraisal and dealing with the anger, sulking and resentment of a poorly-rated subordinate.

The result is that everybody comes out as average and the whole exercise is a waste of time.

A third problem is memory, also called recency bias. Managers rarely keep detailed notes and do not always remember all the behaviours they have to rate. It has been said that if workers score any significant success nobody remembers, but if they make a big mistake nobody forgets. Certainly most people base their appraisals on the recent past, no matter how representative it is.

There is also the question of personal bias and prejudice. This may be overt or covert, sophisticated or simple. We all have our preferences and prejudices based on *past experience, and it is often difficult* to prevent these influencing appraisal ratings.

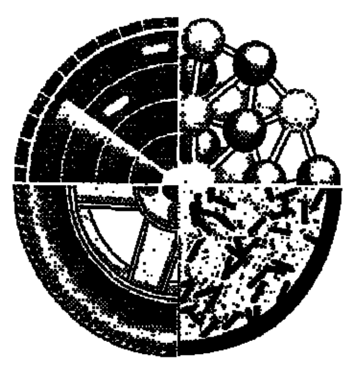
Thus notwithstanding the quasi-scientific, and certainly numeric, feel of evaluation and appraisal forms, many managers complain they are far from objective. They argue there are so many sources *of* bias that appraisals are not only worthless but dangerous.

However, people can be taught to use the forms effectively. Coffee tasters, *for* example, are open to errors when rating beans, but they can learn to overcome them. When it comes to managing people, *it is crucial* the staff *are* appraised and given accurate, *specific and comprehensive feedback*. Filling out forms encourages such feedback and can be most helpful. Most managers would like their boss to provide them with detailed feedback – but they all seem more hesitant about appraising their staff – often because they do not know how to conduct progress reviews with subordinates.

The author is head of the business psychology unit at University College London, and advises organisations on management appraisal systems.

TECHNOLOGY

Worth Watching · Della Bradshaw



Taking the pain out of bacteria testing

Helicobacter pylori (HP) is an unpleasant bacterium that has recently been implicated in the development and recurrance of ulcers, writes Paul Abrahams.

However, testing for the bacterium has been expensive, requiring the removal of a section of the stomach, a blood test or complicated breath test.

Cortecs International, a small company in Isleworth, Middlesex, has launched a method of testing for HP using saliva.

The saliva is collected on a swab and mixed with a colour reagent. This reacts with antibodies in the saliva, which have been produced by the immune system against HP. The test can give a result within 90 minutes. A £275 kit can be used to test 96 patients. Cortecs: UK, 081 568 7071.

Zinc batteries pack more power

A New Zealand company, Voltech Agencies of Auckland, is claiming revolutionary properties for a rechargeable alkaline battery.

The Voltech 555 batteries, which were developed in China, are cheaper than nickel-cadmium batteries because they are made of less-expensive components – zinc and manganese oxide.

They can be fully recharged more than 100 times, say the manufacturers, with no memory effect. And they can store more power – 1.5 volts rather than the standard 1.2V. Voltech: New Zealand, 9 379 6985.

Looking for an easy life in the office

Imagine being able to copy a letter, send a fax, scan a document into your personal computer or print out from it without leaving your desk. Japanese electronics manufacturer Oki has come up with a single machine that can perform all four tasks.

The Doc-It has three elements: Windows-based document processing software, a plug-in PC board and fax interface, and a machine the size of a standard laser printer that copies, prints, faxes and scans.

The Doc-It will be launched in the UK tomorrow. Oki: Japan, 03 3501 3111; UK, 081 577 9000.

● Document scanners have generally proved too expensive for small businesses but Xerox Imaging Systems has slashed the price of scanning software with TextBridge, which sells for £99. As well as the software, companies need a desktop or hand-held scanner. Xerox: UK, 0734 668421.

A helping hand for Japanese teachers

Teachers could soon be getting a helping hand from the latest technology. In Japan NEC has used an expert system to cut the time it takes to work out the school timetable.

The automatic school timetabling software combines an expert system construction tool called Coastool with software that apportions the most appropriate amount of time to each subject.

In trials at the Kukihokuyo High School in Japan's Saitama prefecture it took seven working days to complete the 1992-93 timetable, compared with manual scheduling, which takes 10 veteran teachers 10 working days (100 days in all). NEC: Japan, 03 3789 6511; UK, 081 991 9697.

Sniffing out the poorly cows

Bad breath is not just something that affects humans. Scientists at Southampton and Warwick Universities are developing an "electronic nose" to sniff out cows with bad breath, in an attempt to detect early signs of disease and so improve the health of dairy herds.

The robot nose uses an array of sensors linked to a computer to sniff out specific smelly molecules. The molecules interact with the sensors to produce a pattern of responses that the computer can recognise. University of Southampton: UK, 0703 592373.

Intergraph is weathering a painful transformation, writes **Andrew Baxter**

Designs on the future

For a senior executive in an industry notorious for hype, Manfred Wittler is refreshingly frank about trading conditions in Europe for Intergraph, the US company that sells computer graphics systems.

In Italy, where the corruption scandal has brought corporate decision-making to a halt, and in post-Olympics, recession-hit Spain, Intergraph's markets are "devastated", Wittler says. "There are workstations sitting idle and that's about as bad as you can get."

Germany is "terrible" – big customers have taken board-level decisions to halt investments. Customers in the *Mittelstand*, the medium-sized independent German manufacturers, have seen their orders fall by as much as 50 per cent and are slashing spending.

After strong growth last year, Intergraph's sales in Europe are likely to fall about $50m (£33.3m) to $400m this year. And some European countries will make their first loss this year, Wittler warns.

Wittler is Intergraph's top man in Europe and also executive vice-president for sales and support. The company makes everything from Cadcam systems used to design and manufacture cars to mapping systems that help water companies manage their sewage networks, so few people get a better view of sentiment among industrial, utility and government users of computer graphics.

Fortunately for Intergraph, the view from Wittler's office, down the road from Amsterdam's Schipol airport, is not one of unrelieved recession. In the UK, too, the recession has cut leading clients' spending plans, but, Wittler says, "we don't see that any more".

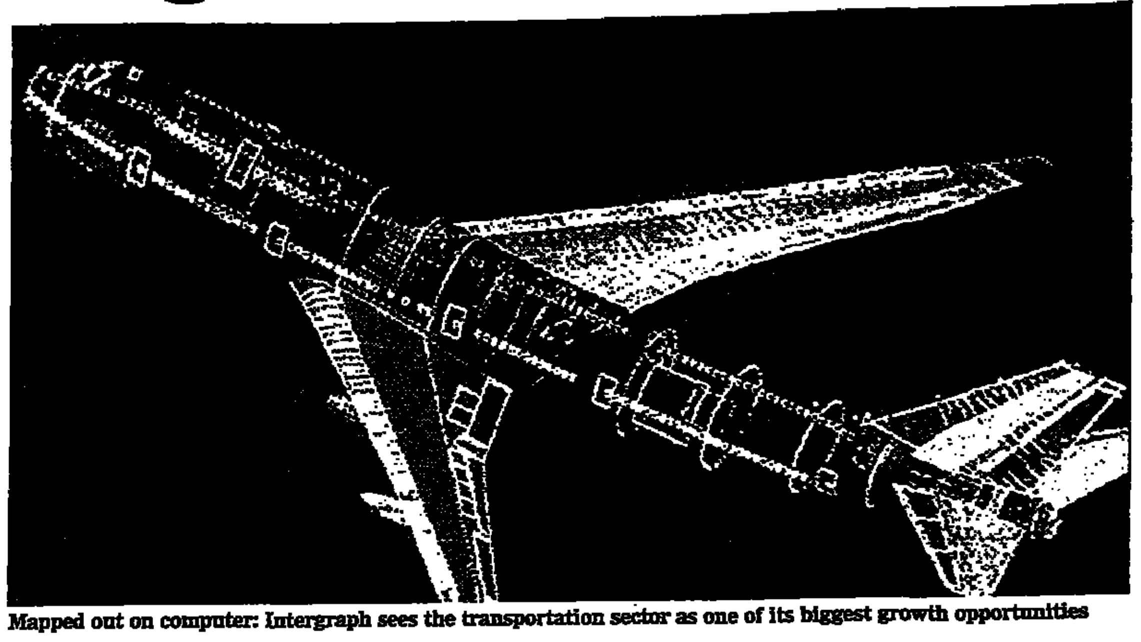
Intergraph has also been helped by the diversity of its customer base. With about 40 per cent of its European business coming from government, utilities and transportation, another 30 per cent from building and process industries and the rest from manufacturing, the company has fared better than suppliers who are more dependent on the mechanical Cad market alone.

But the company has also benefited from a series of changes introduced by Wittler since he joined the company in 1989. By building up a true indirect sales channel for the company's products, Intergraph is better able to take advantage of continued computer graphics purchases by small companies or divisions of larger organisations.

Another important move was the reorganisation of the sales force into industry segments. In the past, Wittler says, Intergraph had not fully exploited its biggest strength – its ability to provide a complete range of products for all the technical needs of a particular industry.

An example is the transportation sector, which Wittler sees as one of Intergraph's biggest growth opportunities. It has started a drive into the railway industry, which is now undergoing a renaissance in continental Europe.

The recession in Europe has coincided with what Wittler calls a "painful transformation" of Intergraph's technology. Because its applications software was tied to its mid-range Clipper workstations, it could not be sold easily through indirect channels.



Mapped out on computer: Intergraph sees the transportation sector as one of its biggest growth opportunities

Intergraph is now converting its 350 software packages so that they can run on Microsoft's new Windows NT operating system. This is an important move – Wittler believes it will open up a mass market for Intergraph's software via indirect resellers.

But the company is also working on "porting" – making compatible – Windows NT to its Clipper Risc processor, which powers its existing Unix workstation.

At the same time, Intergraph is developing a high-end workstation based on Sun Microsystems' Sparc processor and earlier this month was chosen by Sun both to co-develop the next Sparc processor generation and to port Windows NT to the Sparc architecture.

All this activity emphasises the importance for Intergraph of tying its future to that of Windows NT, which Wittler believes will be "the big winner" as an operating system – without totally supplanting Unix. As long as software can run on Windows NT, the hardware will not matter.

Wittler's hope is that the European market will recover from recession in the second half of next year, coinciding more or less with the completion of Intergraph's technology changes.

Software finds a fashionable friend

First there was Ascot, then Henley. But the British summer season can only truly be declared open when high street clothes shops display their end of season "sale" notices.

As fashion retailers rush to slash the figures on their garment price tags they are increasingly having to ensure that those prices correspond to the ones held on their computers. For the UK retail outlets of Paul Smith, the men's fashion designer, the job has been simplified by work it has been doing with its supplier Prologic, which specialises in software for the fashion industry.

"We've been working with Prologic for four to five years," reports Cuan Hanley, co-ordinator at R. Newbold, Paul Smith's forthcoming retail venture. "We've been moving in tandem."

Initially when it came to sale time, employees at Paul Smith's head office in Nottingham had to change the price for each item separately – every item had a code denoting style, colour and size. Paul Smith's Covent Garden stores stock everything from toothbrushes to £600 suits – some 2,500 items in all.

The Cims (clothing industry management system) software was altered, says Hanley, to ensure that the prices could be changed by product group. And if one particular product group in one particular store was selling badly the price of that group alone could be reduced. "We can change all the prices now in half a day," reports Hanley.

Such speed of reaction is particularly important in the fast-moving fashion industry where retailers have a rapid stock turnover – unlike a food chain, for example, where the same brand of baked beans can be sold year in, year out.

The reports produced by the Prologic software, points out Ian Bergin, at Paul Smith's Covent Garden stores, can look at the stock levels throughout the organisation or can track down a single garment. The software can produce reports of bestsellers or worstsellers.

"You can say 'I'm going to run out of this on this day and so I need to order more now'," elaborates Bergin. "You can see problems before they occur." The biggest problem would be if the stores ran out of the most expensive items – suits.

If shortages occur, the individual shops can look up the stock held at the warehouse and order items from the terminal which also acts as a till. Or they can order from head office in Nottingham.

If they suspect shortages might ensue, each retail outlet can check to see whether there is a similar style or fabric that could be stocked instead but which they had hitherto overlooked – a shirt, for example, that was only stocked in one of Paul Smith's Japanese shops.

The Prologic system, which is based round an Oracle database held at head office, uses the data collected every time a sale is completed in the shop to compile accounts and other management reports. The same data are used to verify stock control levels. For the shop managers it means that there is no need to back up the data every evening which is collected on disc, a drawback which had become evident with the previous system in the Paul Smith stores.

The system also helps eliminate errors. Because the code number for each item has to be entered before a sale can be made, it can only be sold for the correct list price. Bar-code readers can be incorporated to help with manual stock controls. And Cims lets retailers build in specialist services – such as automatic discounts for clients lucky enough to hold discount cards.

Della Bradshaw

THE PROPERTY MARKET

Ratner's new jewel

Vanessa Houlder reports on the entrepreneur's latest venture

Gerald Ratner, the jeweller who once famously described one of his products as 'crap', does not appear to have lost his taste for controversy.

Nine months after leaving Ratners (now called Signet), Mr Ratner is again raising eyebrows with his choice of passage back into the retail industry. He is attempting to convert Tobacco Dock, the failed shopping centre in London's Wapping, into a US-style 'factory outlet mall'.

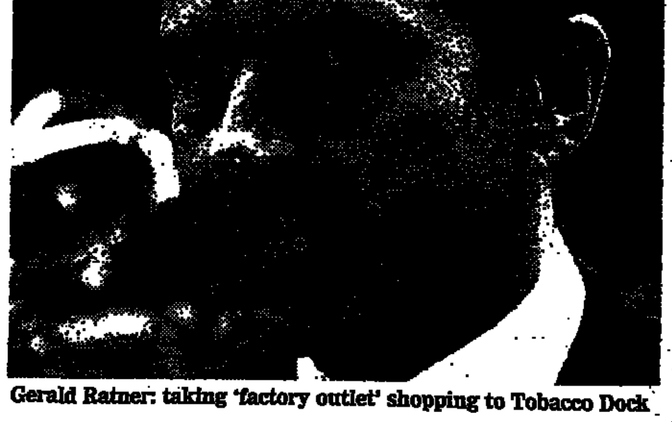
Factory outlet shopping – where manufacturers sell surplus stock directly to the public at discounts of between 40 per cent and 60 per cent – is fiercely resisted by many retailers. Unlike the US, where factory outlet malls are typically at least an hour's drive away from a city, in the UK towns are so close to each other that such outlets would inevitably compete with town centres, say retailers.

Mr Ratner's task is to persuade manufacturers, which are inevitably reluctant to offend retailers, that Tobacco Dock will not threaten their markets. He is sending brochures to 1,000 manufacturers and admits that he has to "break down some barriers" to win over prospective tenants.

Mr Ratner is confident he will win the argument over Tobacco Dock's perceived threat to existing London shopping centres. "Docklands is not a successful place for shopping. It will not cannibalise other markets," he said.

That much cannot be disputed. Tobacco Dock was in receivership from November 1990 until last October when it was bought for £12m by Bisley Properties, a private group which took on Mr Ratner as an adviser. Tobacco Dock's failure was blamed on its inaccessibility and poor transport links.

Tobacco Dock's location could remain a problem: the solution depends on persuading well-known brand-name manufacturers to participate in Mr Ratner's factory mall in a bid to attract shoppers from as wide an area as possible. Mr Ratner is convinced that there will be no difficulty in attracting shoppers. "People will be coming down from Scotland," he says rather implausibly.



Gerald Ratner: taking 'factory outlet' shopping to Tobacco Dock

Mr Ratner's move into factory outlet shopping follows a recent visit to the US. He became convinced that the success of factory outlets in the US could be replicated in the UK (where such outlets exist, but on a relatively small scale). He joined Bisley Properties on his return to the UK.

The logic that persuaded Mr Ratner that the UK is ready for factory outlet centres has also impressed a handful of developers from the US and the UK which are working on such schemes in Britain.

But Mr Ratner thinks that Tobacco Dock, which could have its first manufacturers in place in two months, will be Britain's first US-style mall.

London needs a fresh strategic outlook, says an advisory group

Framework for the future

"London is at a time of dramatic change. It needs a fresh strategic framework to influence that change and give a clear sense of direction to its future development."
London Planning Advisory Committee.

Strategic planning has not been taken seriously in London in recent years. In 1986, the last time the London Planning Advisory Committee, an inter-borough body, put forward a city-wide planning framework, it was virtually ignored by the government.

But the agonising over whether London is losing its way in the league of Europe's top cities has renewed interest in the case for strategic planning.

That, together with the changed circumstances provoked by the impact of recession on the capital, could lend more weight to LPAC's latest consultation document, which covers topics such as the need for better co-ordination between development and transport and environmental considerations.

But the difficulties of laying down a planning framework is illustrated by the extent to which conditions have changed for the office market in London since LPAC's last guidelines in 1988.

Offices require "a radical shift in strategic planning policy", according to the most recent LPAC report. Instead of a shortage of supply, planning authorities need to manage the surplus of existing office floorspace and cope with the huge excess of development opportunity in the longer term. This recommendation is based on employment growth projections in finance and business services of between 30 per cent and 7 per cent between 1991 and 2006.

LPAC expects a minimal take-up of older, low-quality offices, which should be put to alternative use, particularly housing and student hostels.

Using its most optimistic set of figures, LPAC estimates that demand for new office space could total some 2.2m square feet a year from 1997 – half the level during the 1986-90 period of rapid expansion. Under the pessimistic scenario, demand for new space would be stuck in the current trough of about 500,000m sq ft a year.

Beyond 2000, take-up of new space could, at best, total some 3.5m-4m sq ft a year, justifying new construction activity of about 3m sq ft a year, similar to that in the early 1980s.

Such a level of activity could also justify developments of large-scale projects of about 1.3m sq ft in areas such as the Isle of Dogs, King's Cross, Paddington, Waterloo, London Bridge, Farringdon and Stratford in east London.

LPAC notes, however, that there would not be demand for more than two or three such schemes by 2006.

Vanessa Houlder

Draft 1993 Advice on Strategic Planning Guidance for London, £5 from LPAC, Eastern House 8-10 Eastern Road, Romford RM1 3PN.

Music

Rising to a challenge

The newest project on the London South Bank, which all this week fills the Queen Elizabeth Hall and Purcell Room, will surely raise the spirits of people unafraid of challenge in artistic experience. It is a summer festival of modern arts, dominantly musical but with representation of dance and film, and piloted by an artistic director who is him- (or, as may be, her-) self an important creative force in those modern arts.

The series is planned as an annual event, with each time a different director: this year the composer George Benjamin as programme-inspirer, next year the composer Louis Andriessen. The umbrella title may rather be arty: *Meltdown*, described in the advert-speak of the (cumbersome, ill-designed and hard-to-read) programme as "the white heat of creativity unleashed upon the atmosphere – the fusion of art worlds into something new and totally different".

However, the chance to engage through this format with the mind, the tastes and, indeed, the music of someone as profusely gifted, youthfully stimulating and ebulliently communicative as Benjamin seems to me just about irresistible – as the first musical item on the week's schedule proved.

This was a concert by the London Philharmonic in the QEH, proceeded by a platform interview with Benjamin, and concluded with the first performance of a new Benjamin work, *Sudden Time*.

The programme was itself a shapely, coherent entity which placed the new work alongside pieces by Benjamin's two teachers – Messiaen (the London premiere of the exquisite 1991 miniature *Un Sourire*) and Alexander Goehr (the trenchant, subtle, substantial variations-set *Metamorphosis/Dance*, of which the LPO gave the first performance 19 years ago).

Sudden Time, as Andrew Clements reported on this page last Saturday, marks Benjamin's release into new creativity after a period of drought. Its central examination – which the composer elucidated both in interview and in a brief start-of-concert illustrated talk – is the difference between clock time and psychological time. Across the work's short but abundantly filled span, phrases of evenly pulsed shape are dispersed and then retrieved in various parts of the large orchestra, while elsewhere contrasting and sometimes contradictory activities are set up.

Sometimes conflict flares up, sometimes periods of near-stasis take hold, but the sense of bubbling exploratory vigour remains potent throughout. In testing out this notion of (to put it crudely) freedom versus rigid order, Benjamin appears to have released in himself a flood of generous, free-spirited invention.

The fast-moving linear patterns out of which the music is predominantly made create a musical environment that, in its seductive harmonic ambiguities and sound combinations, seems to bear a distinctly French-leaning aspect, to look back affectionately and fastidiously on some of the key Diaghilev ballet-scores – *Firebird*, *Jeux*, *Daphnis*. The scoring is complex, with fascinating *trouvailles* (such as the brief consort of four alto flutes topped by two tiny, high recorders) yet wholly unwasteful; a gently unfolding viola line at the close suggests a prospect of reconciliation.

Any new initiative begins well that has so remarkable and exhilarating a new work as its first offering. Benjamin himself conducted it with energy and precision; the only cloud on the evening was the dull, colour-draining time-beating of Franz Welser-Möst in the Goehr and Messiaen.

Max Loppert

Art / Lynn MacRitchie

Cartoons from a new master

In an innovative series, the British Museum in London is hosting five exhibitions of work by contemporary Japanese artists. Having missed the first of these, I have vowed to miss no more.

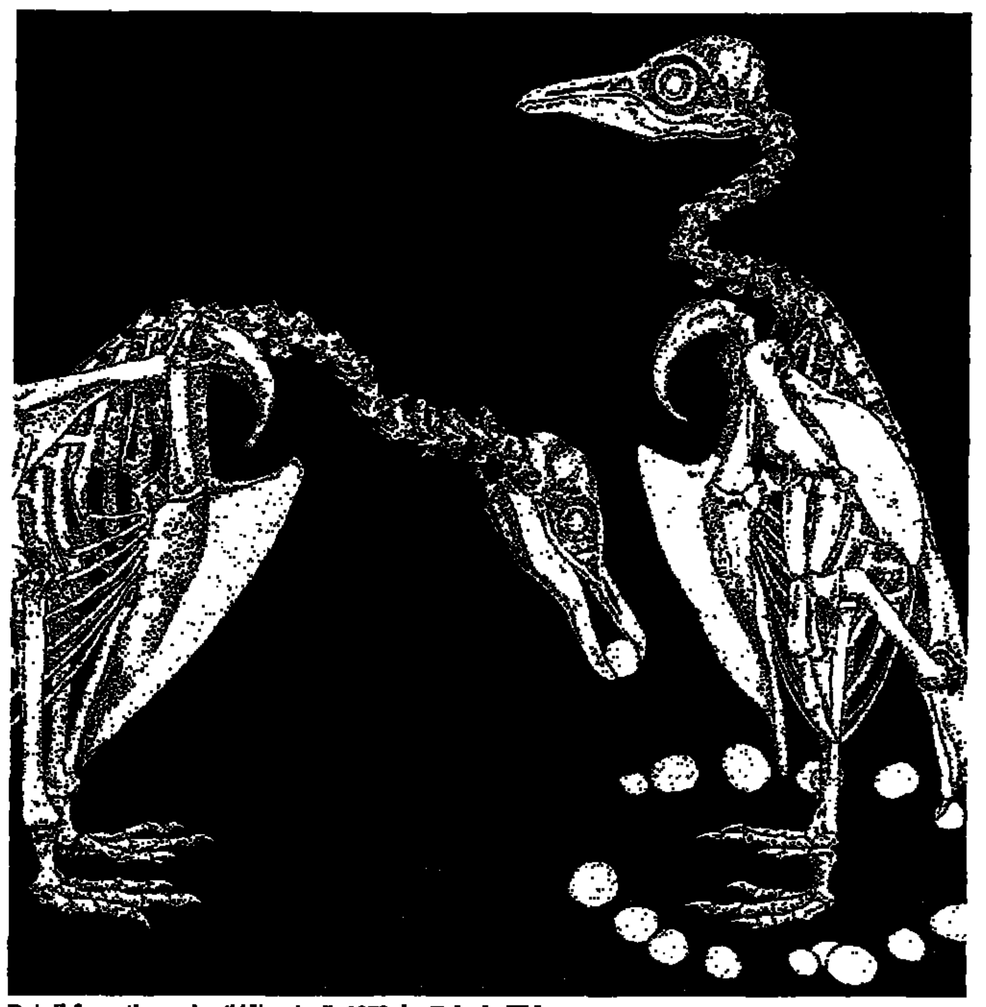
"Takeda Hideo and the Japanese Cartoon Tradition", the second show, is a revelation, a living history lesson and an opportunity to admire the work of a controversial modern artist whose screen prints, based on traditional subjects, seem to my eye at least the equal of the works of those revered masters whose images he has reinterpreted with astonishing power and skill.

Takeda, born in Osaka in 1948 and originally trained as a sculptor, rose to fame as the cartoonist for "Asahi Journal." His work was influenced by western artists, most significantly Tomi Ungerer and Gerald Scarfe. He visited New York several times and seems to have absorbed the deadpan style of "New Yorker" cartoons. All these influences can be seen in his earlier work, which has very few obvious Japanese characteristics apart, perhaps, from the thoroughness with which graphic styles from another culture have been appropriated and reused.

His first published collection, "Mme Chang's Chinese Restaurant" (1973), a series of black and white cartoons presented as his dissertation in graduate school, is already astonishing in its graphic fluency and enjoyment of slightly surreal and sexual images. Two other collections, "Yogi", 1974, and "Opera Glasses," 1977, are also in this style.

The Japanese have a long tradition of enjoying books of drawings and prints which continues vigorously today, its most well known manifestation the popular "Mangas" or comic books devoured with relish by a considerable part of the population.

Takeda's "Altamira" series of 1979 is in the more sober tradition of picture books on educational or scientific subjects. It is a series of black ink studies of animal skeletons, meticulously observed and accurate, but each with a touch of fantasy – a bony horse borne upwards on the wings of a bird trapped in its rib cage, for example.



Detail from the series "Altamira", 1979, by Takeda Hideo

The series "One Hundred Occupations" reworks a favourite genre which dates back to the late 16th century. A delightful 1855 example by Hiroshige is on display, showing dockers, actors, river porters and others at work, observed with a humorous eye. Takeda's "Occupations" is quite different. He uses the ancient form to satirise his subjects mercilessly, in a cold, western manner which brings a shiver to the spine rather than a smile to the lips.

The original "manga" was a book by Hokusai, a collection of drawings from life published between 1814 and 1849, of which several volumes are on view. Each page is filled with incidents – drunken men singing while the geisha who is "entertaining" them falls asleep, ladies washing in all sorts of positions, men practising with spears.

Some of the drawings have more "fantastic" subjects, such as a man sawing through his arm, or two men strolling unaware of the close scrutiny of what appears to be an octopus. Takeda himself has never worked for mangas, but his style, combining precise observation with fantasy, is very close both to the ancient examples and their modern counterparts.

Best of all, however, are his two series of screen prints, "The Wars of the Minamoto and Taira," the first produced in 1985, the second this year. Displayed along with them are volumes by Kuniyoshi, the 19th century master of the subject.

While Takeda borrows much from Kuniyoshi, his images are absolutely modern, their stylistic innovations strictly 20th century. Unlike the old master, who sets his incidents against a natural if stylised backgronnd, Takeda sets his figures against plain backgrounds, concentrating on the swirling patterns of bodies entwined in fierce fighting.

His warriors are naked, another break with tradition, but their bodies are decorated from head to foot with complicated tattoos. Tattoos, a traditional Japanese decorative art now most widely associated with the gangster culture of the Yakuza, were the subject of his first set of screen prints, "Mon mon", produced in 1976.

Most controversial is his use of sexual imagery to contextualise the warriors' deeds. In "Mark of a Fan", an image directly based on Kuniyoshi, women's legs represent the waves through which the hero rides. The birds which cause the Taira to flee in "The Battle of Fujigawa" emerge from between a woman's thighs, their white curves forming the background to the densely patterned mass of soldiers. The final images of the second series show the defeat of the Taira in terms of the subjugation of their women, *literally ridden off by their* conquerors.

While these images are horrifying, they are also entirely convincing, both in relation to their ancient models and their modern counterparts, the graphic novels and science fiction comics whose shifting viewpoints, bold close ups and sexual brutality Takeda manipulates with genius. Whether the unseen works by this self-proclaimed "sadist" that have been judged too shocking to be displayed transgressed this dangerous boundary it is unfortunately impossible to tell.

Takeda Hideo and the Japanese Cartoon Tradition July 14 – August 15. British Museum, Great Russell Street, London WC1B 3DG. Tel: 071-636 1555.

Bregenz Festival

Fedora made for comfort

Each summer Bregenz hosts an outdoor opera, with a spectacular lakeside setting, and an indoor one in the Festspielhaus. As I write, it is touch-and-go whether the opening of Verdi's *Nabucco* will be rained off the lake and into the hall; but at least the première of Giordano's *Fedora* was safe and comfortable.

Too comfortable, perhaps, in Jonathan Miller's production, for Giordano's brand of Italian *verismo*. His first Fedora, Gemma Bellincioni, was after all the fiery Santuzza of the original *Cavalleria rusticana*; and his opera was based on a Sardou play (like *Tosca*) in which Sarah Bernhardt had starred. Giordano hoped to match the success of his *Andrea Chènier* (1896), though this time without the mob scenes. Again there is revolution in the air, but mostly at a distance: after the rich Russian princess Fedora finds her fiancé murdered in St.Petersburg, the later spyings and betrayals are set in Paris and the Swiss Oberland.

Miller's style of *verismo* is all genteel decorum – rather nicely observed, but in need of hyper-emotional principals to suggest tormented inner lives. Though Mara Zampieri's Fedora sings with unforced eloquence, matronly concern is what she mostly conveys here; the role surely predicates more volatility and voracious possessiveness. From Sergey Larin's Count Loris, first her prey and then her lover too, we get ringing delivery, unarguably good to hear, and plain, blunt acting. Alfonso Antoniozzi's cultivated baritone is well found for the French diplomat De Siriex. Young Mary Mills makes a fetching Countess Olga, the second soprano, a romantic soubrette with daring taste in period costumes.

As her transient Polish lover Lazinski, Markus Schirmer is not required to sing, but plays an artistic piano. Chopin pastiche, in a opera crammed with pastiches – folk-Russian, French, even an offstage Savoyard song with accordion and cowbells for the denouement in the Oberland (whither Giordano transferred it: Sardou had kept it in Paris). Tobias Hoheisel's high, airy sets, basically screens and scrim, are cleverly lit by Paul Pyant. However, their platform base is set some way back, so none of the singers can electrify the audience from footlights-distance – an unfair deprivation in *verismo* opera.

The conductor Fabio Luisi is stylish and tender with the score, and in later performances should find the extra thrust needed to buoy up his principals. The Vienna Symphony is only moderately good at sounding Italian: as in Catalani's *La Wally* a couple of festivals ago, the lively and picturesque music comes off better than candid pathos or anguish. Still, the ear of faith will certainly find and treasure those qualities in the luscious melodies. Agnostics may not have their withers wrung.

Co-production with the Vienna State Opera. More performances until August 5.

David Murray

Theatre / Malcolm Rutherford

A mish-mash from the RSC

This is an unusual way to go down in the record books: *Misha's Party* must be the worst play ever staged by the Royal Shakespeare Company.

True, it cannot have been initially the RSC's fault. The idea of collaboration between the American playwright, Richard Nelson, and the Russian Alexander Gelman, must have seemed attractive at the start, even though Nelson says that he speaks no Russian and Gelman no English, and in spite of the fact that Nelson's last venture at the Barbican (*Columbus and the Discovery of Japan*) sank without trace.

At least the background was promising: Moscow, August 1991 and the attempted coup against Mikhail Gorbachev as witnessed by a group of Russians and Americans from a smartish Moscow hotel. And for about the first five minutes promising is what it is. Screen subtitles and the sound effects of a crowd remind us of the drama that is going on outside. There is a dining table heavily laden with bottles which, one spots early on, is a sign of a long night to come.

The rest is lamentable. This is domestic squabbling which merely coincides with great events. You may search for wit, allegory or indeed any kind of significance, but it will be in vain.

The principal character, played by Barry Foster, is called Mikhail. He has been married several times and claims to have had hundreds of liaisons in between.

On his 60th birthday, he has brought his ex-wives, their current husbands, his bride-to-be and his daughter together. One assumes that there must be some symbolism about Gorbachev, Mother Russia or the brief history of the Soviet Union. If so, it is elusive. All that happens – or rather does not happen – is that Mikhail's birthday speech remains undelivered.

The piece is being played concurrently at the Moscow Arts Theatre, where the audience should be closer to events and may pick out subtleties. Try it there, not at the Pit. Is there no one in the RSC administration capable of spotting a loser in rehearsal and removing it from the programme before it runs into the buffers?

* * *

There are reservations, too, about the RSC's *Taming of the Shrew* which has moved to the Barbican from Stratford. Just over three hours is a trifle long for one of Shakespeare's slightest plays. The first two thirds are heavy going.

Bill Alexander's production makes a couple of fundamental mistakes. He sits the audience to the play within the play at the back of the stage almost throughout. This is static and immensely distracting to the real live audience in the theatre. Then the set is constructed of heavy wooden panelling with a heavy wooden floor to match. The effect is deadening.

There are very few laughs. The production in Regent's Park earlier in the summer was much funnier and the current performance of *Much Ado About Nothing* at the Queen's shows that Shakespeare does not have to be treated quite so ponderously.

Still, the Barbican show has its merits, notably Amanda Harris's lively and attractive Kate and Maxwell Hutcheon's appealing Christopher Sly. One can see why, for all its inadequacies, *The Shrew* remains a controversial play. Is Kate a shrew and, if so, why? What is a shrew anyway? And even if she is a shrew, does she have to be "tamed" in quite such brutal fashion? Why does she, particularly this one, succumb so easily? Discuss.

* * *

The Chelsea Centre is not at the centre of Chelsea, but at the far (western) end of the King's Road in London. I have wondered before whether it can make it when it so far off the beaten theatrical track. Yet it is setting very high standards. The present production is George Bernard Shaw's *Widowers' Houses*. If you have never seen the piece before, see it now, for it reveals a wonderful knowledge of the property market which has not much changed with the decades. And even if you know the work, you will admire the direction by Sharon Maughan and the wonderful playing of Sartorius by *Lisa Harrow. She is a very fine* actress.

Cheryl Campbell and Barry Foster in "Misha's Party"

INTERNATIONAL ARTS GUIDE

After a major two-year renovation, the Metropolitan Museum of Art in New York will open a grand new suite of galleries on September 21, *devoted to 19th century* European paintings and sculpture. The new suite will enable the museum to display more of its 19th century art that ever before, including its world-renowned collection of Impressionist paintings.

Visitors will encounter 21 separate rooms on the second floor of the museum's south wing. Though occupying the same area as before, the renovated galleries will have substantially more wall space and an entirely new design. The large, open area with temporary partitions that formed the core of the old layout has been converted into a series of airy chambers in a 19th century *Beaux-Arts style*, incorporating oak-parquet floors and architectural detailing evocative of the period's classicism. The project cost *US$13m (£8.7m)*.

Many of the rooms will be devoted to individual artists, with three set aside for a temporary exhibition of 53 Impressionist and Post-Impressionist masterpieces from the *Annenberg Collection*. The opening installation will also include eight recently acquired works by Degas, Manet, Morisot, Pissarro and Sisley. Two recent additions to the permanent collection - Van Gogh's Shoes and Wheat Field with Cypresses - will also be on display.

The array is overwhelmingly French - Turner, Constable, Burne-Jones, Böcklin and Kobke are among the very few exceptions - and constitutes the finest gathering of 19th century French paintings outside Paris. Along the north side of the suite runs a long corridor filled with oversize Salon paintings by Bonheur, Meissonier and others, and sculptures by Rosin and Carpeaux. The eastern half consists of a chronology from Neo-classicism (David, Ingres) to Romanticism (Géricault, Delacroix), Corot, Barbizon and Courbet (two rooms), Manet (the largest gallery), Degas (separate rooms for paintings, sculpture and *pastels) and* pastels by Redon and Toulouse-Lautrec. The west side comprises the Annenberg show.

■ EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum The Potato Eaters: sketches, drawings and *paintings leading up to the chef* d'oeuvre of Van Gogh's Dutch period. Ends Aug 29. Courtesans in Japanese Prints. Ends Aug 29. Daily
Rijksmuseum Rembrandt in a new light: seven restored paintings. Ends Nov 1. Closed Mon
BARCELONA
Fundacio Joan Miro Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon
BERLIN
Neue Nationalgalerie Beyeler Collection: an outstanding private Swiss collection of early 20th century paintings. Ends Aug 1. Closed Mon
Alte Nationalgalerie Oskar Reinhart Collection: paintings by 19th century German, Austrian and Swiss artists. Ends Sep 12. Closed Mon and Tues
BONN
Kunst- und Ausstellungshalle The Desire to See: 500 paintings, projections and installations from 12 countries, tracing the development of the unbroken *360-degree panorama picture from* the early 19th century until the invention of moving pictures a century later. Ends Oct 10. Also Alexander Calder: 12 monumental sculptures. Ends Sep 30. Closed Mon
Kunstmuseum Markus Lüpertz (b1941): 170 paintings and drawings by a central figure in the development of German art in the past two decades. Ends Sep 26. Closed Mon
COLOGNE
Wallraf-Richartz-Museum Highlights of the Baroque: French and Italian paintings from the late *16th to late 18th centuries*, all on loan from French public collections, including works by Veronese, Bordone, Vouet and many others. Ends Aug 22. Closed Mon
HAMBURG
Kunsthalle Picasso After Guernica: 90 paintings, 60 drawings and ten sculptures, representing his later work, with a special focus on the 1950s. Ends Aug 29. Closed Mon
LONDON
Hayward Gallery Aratjara: the largest and most comprehensive exhibition of Aboriginal and Torres Strait Islander art ever seen in Europe, with over 100 works from public and private collections in Australia. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Also Summer Exhibition. Ends Aug 15. *Daily*
Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Edward Burne-Jones: a display of sketches from the *museum's own collection*, underlining the 19th century English artist's skill as a draughtsman. Ends Nov 7. Daily
Courtauld Institute Thomas Gambier Parry as Artist and Collector: 14th and 15th Italian paintings collected by the 19th century painter, whose watercolours are also represented. Ends Sep 1. Daily
MARTIGNY
Fondation Pierre Gianadda Degas: 74 bronzes of horses, dancers and nudes, surrounded by dazzling pastels, oils and drawings relating to them. Ends Nov 21. Daily
MONTPELLIER
Musée Fabre French 17th century Paintings from Public Collections: 130 works by Poussin, Lorrain, Vouet and many others, showing the evolution of style throughout the century. Ends Sep 5. Closed Mon
MOSCOW
Pushkin Museum Matisse: an abridged version of the recent shows in New York and Paris, but specially augmented by 130 paintings from Russian collections. Ends Sep 15, after which the show will move to the Hermitage, St Petersburg.
NEW YORK
Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Sep 19. Also Rebecca Horn: first full-scale *retrospective of the German artist*. Ends Oct 1. The SoHo site has Singular Dimensions in Painting: minimalist works from the 1960s and 70s by Ellsworth Kelly, Agnes Martin, Robert Ryman, Richard Serra and others. Ends Aug 22. The main *museum* is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Drawings from the Getty Museum. Ends Aug 8. Nudes: 30 works selected from the vast collection of 20th century paintings, sculptures and drawings bequeathed by Scofield Thayer, including works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Paul Klee: 26 drawings. Ends Oct. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon
Whitney Museum of American Art In the Spirit of Fluxus: 400 objects and documentary material of work by more than 40 artists, providing an in-depth view of one of the influential art movements of the 1960s. Ends Oct 3. American Art in Transition 1955-62. Ends Oct 10. Closed Mon
Museum of Modern Art Latin American Artists of the 20th century: 300 works by 90 artists from 1914 to the present. Ends Sep 7. Closed Wed
NUREMBERG
Germanisches Nationalmuseum The Ludwig Collection: large-scale survey of the art collection of German chocolate magnate Peter Ludwig, including a large group of Picasso paintings. Ends Oct 10. Closed Mon
PARIS
Louvre French Drawings from the Pierpont Morgan Library: the exhibition begins with works from the 14th century, but reaches its climax with 18th century masterpieces by Watteau, Fragonard and La Tour, and some *great* names from the 19th century, including Degas, Cezanne and Gauguin. Ends Aug 30. Closed Tues (Pavillon de Flore)
● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musee d'Orsay and Versailles.
PARMA
Magnani Rocca Foundation The Barilla Collection of Modern Art: paintings and sculptures by Picasso, Dubuffet, De Chirico, Magritte, Bacon, Sutherland and many other 20th century artists. Ends Nov 28. Closed Mon
ROTTERDAM
Museum Boymans-van Beuningen From Rozenburg to Wagenfeld: ceramics and glassware 1900-1950, from the museum's own collection. Ends Sep 19. Hooks and Eyes: late medieval dress accessories 1450-1650 from the Van Beuningen-de Vriese archaeological collection. Closed Mon
STUTTGART
Galerie der Stadt Munch and his Models. Ends Aug 1. Closed Mon
Staatsgalerie Swabian Classicism: 300 works from late 18th century. Ends Aug 8. Closed Mon
VIENNA
Kunsthistorisches Museum Gold from Kiev: 170 masterworks from the era of Scythian supremacy to the Christianisation of the Ukraine. Ends Aug 1. Closed Mon
WASHINGTON
Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily
National Gallery of Art Great *French Paintings from the Barnes* Foundation: 80 French Impressionist, Post-Impressionist and early modern paintings. Ends Aug 15. Daily
Arthur M Sackler Gallery The Divine Word of Islam: 23 printed volumes dating from 14th-18th centuries in Egypt, Iran and Turkey, including bound manuscripts of the Koran and a ceramic tombstone. Ends Jan 2. The Golden Age of Sculpture from Sri Lanka: 52 ancient masterpieces of bronze casting. Ends Sep 26. Daily

Folly of promoting ethnic divisions

PERSONAL VIEW

Talk is cheap – that is the familiar expression. But for the Bosnians talk has been anything but cheap. For well over a year, we have committed ourselves to negotiations with a criminally brutal enemy because western powers insisted that they would not allow an unjust outcome and that they were prepared to enforce a just peace agreement.

As we gird ourselves for the next painful stage of resistance, we can look back and clearly see what has made all the negotiations to date both fruitless and dishonourable. We can thus define the circumstances under which they can be more efficacious in the future.

So far, the negotiating process has been so flawed as not only to produce an unjust outcome but actually to encourage further war. The reasons for this flaw and the means to correct it are as follows:

1. Crimes and aggression have been committed against our people and republic in the past under the convenient cover of negotiations. Negotiations should no longer be abused and misused to undermine peace, and should only proceed on the basis of an effective ceasefire guaranteed by the international community;

2. The international community cannot morally, legally or diplomatically sanction negotiations while the "gun of genocide" is held to the head of the Bosnians. This only encourages abuses by Serbian nationalist forces and erodes the credibility of the international community.

The sieges and heavy weaponry around our cities must be removed or neutralised. Humanitarian relief must be delivered, and the international community must not allow the supplies to be blocked or looted.

3. The government of the republic of Bosnia and Herzegovina cannot be confronted across the table by its ultra nationalist enemies while all leverage is in their hands. This only emboldens extremists.

Such negotiations bolster those accused of war crimes, delegitimise moderates, democrats and those committed to pluralism, encourage fragmentation, and place the victim at the mercy of the aggressor.

The international community must be prepared to confront the aggressors if they do not honour their commitments. At the minimum, the international community must not obstruct or hinder the self-defence of the Bosnians.

4. Similarly, the international community must be prepared to implement immediately any negotiated settlement.

5. Negotiations should be held within Bosnia and Herzegovina – preferably in Sarajevo. This would increase accountability and discourage violations of ceasefires and the denial of humanitarian assistance.

6. Negotiations and peace agreements should not exonerate war criminals. Such a result would be immoral and illegal, and would backfire by encouraging extremism and strengthening the hand of those who would challenge peace. Criminals must be prosecuted.

Partition would worsen the refugee situation and create new battle lines

It is unfortunate that the co-chairmen – in particular, Lord Owen – allowed themselves to be drawn into killing off the Vance/Owen plan and giving undue credibility to the "Milosevic/Tudjman partition plan". This predicament is in part due to Lord Owen's acceptance of the proposition that Serb extremists cannot be challenged and that war criminals may be legitimised as peace negotiators. In turn, this has encouraged extremism and opportunism among certain Croatian elements at the expense of moderates.

Most critically, if the co-chairmen continue down this flawed path they will realise that, as they have abandoned the Vance/Owen plan and embraced the partition, they will inevitably have to adjust their mediation position to reflect almost any position promoted by the stronger party.

The Milosevic/Tudjman partition plan is acknowledged to be unjust. Just as certainly, it is not durable. However, one argument that we can expect to be advanced in its favour is the pseudo-humanitarian one:

We will soon be told that the main rationale for its implementation is the alleviation of the suffering of the Bosnian peoples. But the partition would in fact only worsen the refugee situation, promote instability, and create new battle lines. Extremism, irreconcilable national hatreds, and fascism would be encouraged and legitimised for decades.

The folly of promoting ethnic divisions under the auspices of the United Nations should be reason enough to discard this ill-advised plan. Even as the casualty lists in civilian areas under Serb bombardment grow, reading like a roll-call of the republic's nationalities, all the members of the presidency of Bosnia and Herzegovina, including Serbs, Croats and Moslems, have embraced a rejuvenated peace plan for a "federation" of the republic.

The republic will have a decentralised form of government, with each group having parity at the federal government level. The individual units of this federation (provinces) would be established on the basis of economic, geographic, communications, historical and cultural criteria and would not be seen as constituting "ethnic enclaves".

The federal model will promote the republic's future as a pluralistic, democratic, and secular nation. While it may be difficult in the immediate future fully to restore our nation to its multicultural tradition, this federal system will encourage reconciliation and pluralism, and not allow ethnic divisions permanently to scar our country.

Muhamed Sacirbey

The author is the ambassador to the United Nations for Bosnia-Herzegovina. Articles by Mate Boban, Bosnian Croat leader, and Radovan Karadzic, Bosnian Serb leader, appeared on July 22 and June 9 respectively

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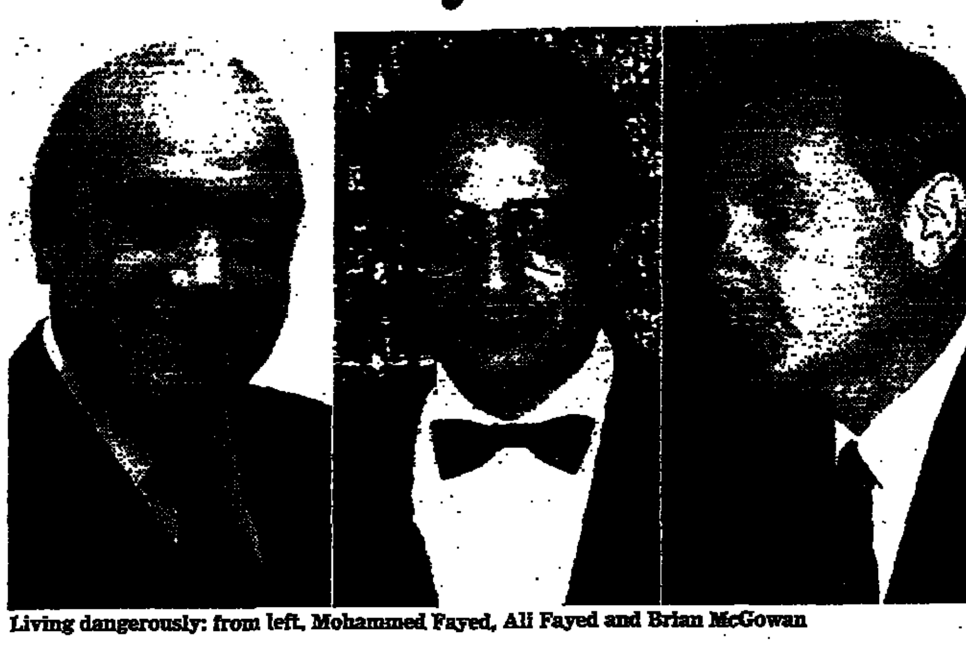
John Plender assesses the likely price and prospects for the Fayeds' sale of House of Fraser

Laden ship in less stormy waters



Living dangerously: from left, Mohammed Fayed, Ali Fayed and Brian McGowan

The controversial Fayed brothers, owners of the heavily indebted House of Fraser group, have demonstrated remarkable powers of survival through Britain's recession.

But will the proposed flotation of their stores, other than the flagship Harrods store in Knightsbridge, generate enough cash to keep the bankers at bay and ward off the threat of receivership?

Any judgement hinges primarily on the valuation of the subsidiary that owns the shops in question, House of Fraser (Stores), where chairman Ali Fayed stepped down earlier this week in favour of Mr Brian McGowan of Williams Holdings. In effect, Mr McGowan is working for the group's bankers, who have tightened their grip on the House of Fraser business empire following a refinancing of debt at the end of April. As well as extending fixed and floating charges to the whole group, including Harrods, 11 banks in three separate syndicates have taken very restrictive covenants governing the Fayeds' ability to dispose of assets.

The starting point for the analysis must be profit; and the record is undeniably patchy. After the Fayeds' controversial takeover of House of Fraser in the mid-1980s, a five-year plan presented to a banking syndicate led by Samuel Montagu projected profits rising from £57m in 1986 to £181m in the year to January 1991. Instead of this three-fold rise, the Fayeds' stewardship delivered a fall in profit to £40m at end-January 1992 for House of Fraser including Harrods.

Equally important, there is a credibility problem, arising from a Department of Trade inspectors' report in 1988 which concluded that in the course of their original takeover, the Fayeds "dishonestly misrepresented their origins, their wealth, their business interests and their resources to the Secretary of State, the Office of Fair Trading, the press, the House of Fraser board and House of Fraser shareholders, and their own advisers". The inspectors also detailed numerous cases "where the Fayeds were plainly telling us lies".

This inevitably casts a further shadow over the record, which shows that in the three years to end-January 1993 pre-tax profits of House of Fraser (Stores), which excludes Harrods, went from £30.5m to £18.4m to £32.8m. And the figures are not quite what they seem. In 1992, the last year for which accounts are available at Companies House, more than £12m of the £18.4m profit came from insurance payments for two store fires, a surplus on the disposal of the company's credit operations to a financial subsidiary of US General Electric, and a credit from the House of Fraser pension fund.

Since accounts have yet to be filed for the year to January 1993, it is impossible to analyse the quality of the £32.8m that House of Fraser (Stores) is reported to have made. But on past form the figure may not be a reliable guide to the sustainable level of profit that the stores are able to generate.

As for assets, the Fayeds have retained a relatively high proportion of freehold and long leasehold interests in their 59-store chain, when compared with rival store groups, which lends apparent strength to their balance sheet. But the figures raise a number of questions. Frequent revaluations have produced the paradoxical result that in a period that included the worst slump in retail property rents and values since the 1930s, and House of Fraser itself saw a marked decline in its own profitability and dividend cover, net worth rose from £503m in the mid-1980s to £811m in 1992. Even allowing for redevelopment and refurbishment, this looks astonishing. It is also fortunate for the Fayeds, in that House of Fraser's covenants to its bankers included a requirement to increase net worth by 5 per cent a year.

Taking House of Fraser (Stores) itself, property was in the books at £245m which, coincidentally, is the same as the company's net worth. But this is on the basis not of an independent valuation, but a valuation by the directors after taking "appropriate independent professional advice". The outcome, in the year to January 1992, when property market conditions were exceptionally depressed, was a revaluation surplus credited to reserves of £9.3m.

Against this background it seems unlikely that House of Fraser (Stores) could be floated at anything near the average stock market rating for the stores sector, where shares are valued at about 21 times earnings. For purposes of illustration, assume a price-earnings multiple of 15, a sustainable level of profit of £30m and earnings after tax of about £20m. That profit figure may sound high, but after allowing for an improving trend in UK retailing, the elimination of management charges from the holding company, rationalisation benefits and other adjustments, it may not be so implausible. A flotation might then be expected to bring in £300m – not far from the £290m figure rumoured for a management buy-out that failed to materialise earlier this year. How helpful would this be in relation to the Fayeds' debt burden?

Working from data in documents recently filed at Companies House it is possible to calculate that the House of Fraser group companies' loan facilities and overdrafts after the refinancing on April 30 amounted to at least £668m. Assume, for the sake of argument that the Fayeds sell the assets of another affiliate which they propose to retain, House of Fraser Property Investment, which consist chiefly of the Barkers Centre in Kensington, London, for close to their 1992 valuation of £122m; assume equally generously that they make other disposals to bring total debt down to £500m; and the result, after a flotation next year, would be a rump of debt of £200m.

The move to float means that a decision has to be taken as to how much of that debt should go into the balance sheet of House of Fraser (Stores). Half of the £200m could probably safely be included without posing a threat to the flotation; this would be equivalent to about 25 per cent of net tangible assets. The question would then be whether Harrods on its own could service the rump of debt.

It ought to be possible for Harrods to raise operating profits before interest, after writing back pension credits, from the £27m reported in 1992 to at least £30m. That would be ample to service any plausible interest rate on £100m of borrowings in today's market conditions. In other words, there would be no difficulty in servicing the debt. That, of course, is still on generous assumptions; and the leverage in the figures is considerable. If market conditions called for a less generous price earnings ratio on House of Fraser (Stores) of nearer to 10, earnings came out way below expectations and the asset disposals failed to generate the requisite cash, then Harrods' operating profits might still have some difficulty covering borrowing costs.

The Fayeds are not yet out of the wood. And any false move on the path to flotation would raise, once again, the old question of whether their personal resources outside House of Fraser Holdings can meet any shortfall of profit against interest, which has been running at £26m before exceptional items and tax in the last two reported years.

All that can be said here is that in the few areas where information is available, the going is getting harder – most notably at the Fayeds' Paris Ritz Hotel, whose accumulated losses since acquisition in 1979 exceed £112m at today's exchange rates on the basis of the last filed accounts. Bank borrowings at the Ritz were due to start being repaid in February this year.

There are countless imponderables in the equation. But given that the banks have been prepared to refinance House of Fraser and that the economy has turned, the odds are looking more favourable for the Fayeds' survival than for some considerable time. It is certainly less likely that Tiny Rowland of Lonrho, whose legal pursuit of the Fayeds grinds on in the courts, will have the satisfaction of seeing an early forced sale of Harrods.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Aerospace seeks investment not subsidy

From Sir Barry Duxbury.

Sir, I write to take issue with your interpretation of the House of Commons trade and industry select committee report on the aerospace industry ("UK Aerospace", July 22).

The report made clear that the industry is not a lame duck looking for free handouts. It is a pillar of the UK manufacturing base – and of the British economy. By exporting 70 per cent of an £11bn turnover, we make a substantial contribution to the well-being of this country. However, our current success is based on investment in high-cost technology almost a generation ago.

Looking to the future, Richard Caborn and his all-party colleagues chose to address some difficult questions about the conditions industry needs to maintain a leading edge into the next century, about how we develop advanced products for an increasingly competitive market, and about how we can best use scarce resources.

They also looked at the long-term technology investments made by governments in competitor countries and judged that UK aerospace was disadvantaged. The report did not call for subsidies – it called for investment and for a co-ordinated inter-departmental aerospace research programme. Furthermore, it acknowledged the government's financial difficulties and sought creative ways in which that investment could be added to the very high investment the aerospace companies make in sustaining their technology base.

I recommend that those of your readers whose well-being depends upon the competitive position of UK manufacturing industry, obtain a copy of the full report. They will discover that the aerospace issues are more complex than your editorial suggested, yet if the sensible recommendations of the committee are adopted, the solutions may be readily achievable.

Barry Duxbury,
director,
The Society of British Aerospace Companies,
29 King Street,
St James's, London SW1Y 6RD

From Mr Richard Caborn MP.

Sir, Your editorial attacking the trade and industry committee's recommendations concerning the aerospace industry would have benefited from a reading of the report, instead of just the summary of the recommendations.

The £100m of proposed expenditure is nothing to do with "old-fashioned industrial policies" or picking winning technologies. It would be for maintaining a technological edge in the UK aerospace industry as a whole across a range of technologies on which the industry's present and future competitiveness depends. Moreover, launch aid is not a subsidy at all but a loan repayable with interest, and is provided because of the market's inability to fund viable long-term aerospace projects. In 1992-93 repayments exceeded new aid by £27m.

Far from triggering an international subsidy war, the committee's measures, all of which are consistent with the EC-US agreement, would simply bring the UK industry into line with competitors; £100m a year is a tiny sum compared with the subsidies given in the US. We do not share the optimistic view that the EC-US agreement will keep in check government hand-outs, especially as it does not cover aero-engines or smaller aircraft.

Your belief that the health of the UK aerospace industry can be judged from present market share and new orders is astonishing. Its present situation results from research and technology acquisition during the past 10-20 years. Its "underlying position in world markets" is only as strong as the effort it will be able to put into technology acquisition in the next decade or so; hence the importance of the UK government matching the assistance given to competitors.

Your call for multilateral agreement to push back subsidies is in line with the committee's recommendation that the EC-US agreement be extended to aero-engines.

What the committee opposes is the unilateral restriction of government assistance in the UK to a level far below that available to foreign competitors. The committee recognises that the UK aerospace industry has to operate in the world as it exists, rather than in the world the FT would like to exist.

Richard Caborn,
chairman,
trade and industry select committee,
House of Commons,
London SW1A 0AA

Benefits of classifying woodland as set-aside

From Mr Martin Lowry.

Sir, James Buxton's article, "When money grows on trees" (July 20), draws attention to the difficulties of expanding Britain's afforested area in ways that maintain the right balance between environmental benefits and economic returns.

On Tuesday, the European Commission threw out an excellent opportunity to help reach the correct balance when it refused to allow the UK's Farm Woodland Scheme to count towards land which may be put into long-term set-aside. This would give farmers an income from creating broadleaf woodland out of otherwise unused acres, and so contribute significantly to the expansion of the country's forest cover – with all the associated environmental and recreational advantages.

I have written to the EC Commissioner for Agriculture and Rural Development urging him to rethink his decision.

If the concept of set-aside is to win broad public acceptance, it is important that land going into the scheme is seen to bring wider community benefits. The Farm Woodland Scheme – which combines landscape, ecological and recreational elements – offers just such benefits. Unfortunately many farmers have been holding back from participation in this valuable scheme because of the current uncertainty about its relationship with set-aside.

I hope that our government will continue to press Brussels on this important issue.

Martin Lowry,
chairman,
Rural Market Panel,
The Royal Institute of Chartered Surveyors,
12 Great George Street,
Parliament Square,
London SW1P 3AD

Vietnam a serious regional competitor for Thailand

From Mr Derek Tonkin.

Sir, William Barnes rightly draws attention to the "electric" sparkle of Vietnam today as well as to the dangers which investors face ("'Beware the paper in Vietnam tiger'", July 20). However, he quotes one Bangkok-based consultant, Chris Bruton, as saying: "Vietnam now is nothing like as far advanced as Thailand was in 1973. It's more like Thailand probably was in 1953."

I was in Thailand during the 1950s and I can assure Mr Bruton that Thailand then was light years behind Vietnam today. I can also assure Mr Bruton that, in 1973, South Vietnam was considerably ahead of Thailand in the industrial field and on a par in business and financial expertise. Today, Vietnam is well ahead of Thailand in terms of computer sciences, satellite communications, nuclear research, mathematical studies, literacy and secondary education.

Because of the war years and serious mistakes in economic policy, Vietnam has a long, long way to go to catch up with Thailand in terms of infrastructure and industrial development. There are, however, few industrialists and businessmen in Thailand who are not acutely conscious that, delighted as they are to welcome Vietnam into the prosperity of the rest of south-east Asia by ever closer political and economic association, Vietnam probably represents for Thailand its most serious regional competitor for the provision of goods and services, and this much, much sooner than Mr Bruton might ever imagine.

Derek Tonkin,
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FINANCIAL TIMES

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Friday July 23 1993

Bundesbank in a bind

THE HUM of speculative activity across Europe's foreign exchange markets has, since Wednesday, reached an anxious pitch. Higher-than-expected German monetary growth in June now looks likely to prevent the Bundesbank from delivering further cuts in short-term interest rates soon. But without the prospect of a substantial cut in German rates, the chances of maintaining current parities in the exchange rate mechanism look increasingly slim. A speedy, and orderly, realignment would still be desirable; a further, and bloody, crisis may be approaching.

The Bundesbank now looks boxed in. While presumably keen to avoid the blame for the ERM's demise, the bank's council members are even more desperate not to save it at the expense of their underlying objective: to secure medium-term price stability. A rate cut now, in a week in which broad money growth climbed to an annualised and seasonally adjusted rate of 7.1 per cent, outside the bank's own target range for the year of 4.5-6.5 per cent, would certainly look bad. It would look especially bad if, as expected, consumer price inflation has risen to 4.3 per cent in July, more than twice the Bundesbank's long-term 2 per cent target.

Surely, Germany's European partners cry, inflation cannot still be Germany's main problem: the inverted shape of its yield curve, high real interest rates and a deep industrial recession all point to an excessively tight, rather than loose, policy. But many economists agree that the Bundesbank's favoured analytic model remains valid: each percentage of above-target money growth still appears to deliver a percentage point of above-target inflation.

The reason for the confusion is that the Bundesbank is trying to control inflation in a dual economy in which both parts are moving in opposite directions. The private, industrial sector is starved of funds: deflation, not inflation, is the problem. The International Bank Credit Analyst estimates that bank lending to the west German private sector has fallen by 4 per cent this year, while wholesale prices fell 0.4 per cent in the year to June. But the public sector is still growing and borrowing at an unsustainable pace: bank lending to the public sector has grown 17 per cent this year, driving up money growth and the non-traded components of consumer prices.

The Bundesbank thus finds itself facing a dilemma. If the government will not cut its borrowing, then all the bank can do is either to permit a higher price level or attempt to offset this public profligacy with a fierce squeeze in private sector credit, output and prices. But by doing so, it risks damaging German industry, undermining public support for low inflation and further weakening the ERM in the process. If the Bundesbank insists on sticking rigidly to its short-term monetary and inflation targets, then it must keep interest rates high. But both the bank, and the German government, should be aware of the risks they run.

Motorway fatigue

IT IS EASY to make a case for turning part of London's M25 orbital motorway into a 14-lane super-highway. The stretch concerned is the busiest section of motorway in the country; it is only 7¼ miles long; the cost of widening it will be small in relation to the congestion relief it will bring; and the government says most of the rest of the motorway will stay at four lanes each way, at least for the foreseeable future.

Yet the scheme cannot be judged so glibly. Short though the 14-lane section may be, the fact that a highway of such proportions should be considered acceptable anywhere in the UK crystallises the debate about how the country is to cope with continuing traffic growth. If a 14-lane motorway is acceptable now, will a 28-lane one be acceptable in another decade or two? And a 56-lane one when the 28-lane one is full?

It sounds far-fetched: and the argument against is that traffic growth will stagnate once car ownership reaches saturation point. Statistics, however, show that traffic grows inexorably in line with gross domestic product. As more goods and services are produced, more transport is needed to carry them. With more time and money on their hands, people shop and travel more.

Governments impede this process at their peril. Yet environmental considerations demand that they do something other than accommodate the traffic jams with ever-increasing swathes of Tarmac. Even if technology succeeds in producing a non-polluting car engine, the problems of land-take, noise and visual intrusion are likely to prove unacceptable.

Sadly, the alternative most often favoured by environmentalists – more use of the railways – will not provide the solution. Railways account for such a small proportion of traffic (6 per cent of passenger miles and 7 per cent of goods miles) that even to double their use would provide only a hiatus in road traffic growth.

The best hope of bringing demand for road space into line with supply therefore appears to lie in the mechanism used to regulate supply and demand elsewhere: price. If people had to pay for using busy parts of the road network, they might consider undertaking their journeys at a quieter time, using public transport, or not undertaking the journey at all. Ultimately, changes in land use and planning would bring people closer to where they lived, worked and played, so restraining traffic growth.

In the meantime, the government needs to come up with a more coherent strategy for dealing with traffic growth than has so far been in evidence. People need roads, and more will have to be built, but there will never be enough to meet unrestrained demand. If the government is serious about resolving this conundrum, it could start by addressing the fact that Britain not only has some of the worst traffic jams in the European Community, but also some of the cheapest petrol.

Life choices

IT IS A measure of the lobbying power of Britain's life assurance industry that it has taken so long to root out its opaque and anti-competitive sales practices. Yesterday's intervention by Mr Kenneth Clarke, the chancellor, looks like being the decisive blow in a battle that has lasted well over five years.

The charge against the industry is twofold. First, many investors are sold policies unsuitable to their circumstances, with around a third surrendering policies in the first two years. This stems largely from the industry's refusal to disclose clear and understandable information about the commissions paid for selling products and the likely value of investments if surrendered early. So long as investors do not know the nature of what they are buying, they will not be in a position to choose wisely.

Second, a large proportion of investors' premiums are swallowed up in high charges, which reflect the lack of competitive pressure to cut costs. Practices such as the use of standard industry charges to project investment returns rather than individual companies' charges are to blame. So is the lack of transparency. Competition can only flourish when investors have enough information to shop around.

Reform is important not only because of the central role that life products play in existing savings habits. More than two-thirds of British households have at least one life policy, often linked to their pensions or mortgages. Change is also necessary if the government is to press ahead with ideas to encourage people to rely less on the welfare state and more on personal saving for old age, sickness and unemployment. There would, for example, be little point in privatising the state pension if people's savings were frittered away by high charges.

The particular reforms mandated by Mr Clarke closely mirror recommendations from the Office of Fair Trading earlier this year. Life companies will have to give details of intended surrender values; tied agents and independent advisers will have to reveal their commissions; agents for the same company will be able to compete on price; and companies will be required to use their own charges in providing illustrations of projected returns.

The overall effect will be more informed choice by savers and more vigorous competition between providers.

The life industry will not like reform that disrupts the cosy world they have lived in for so long. It is even possible that it will put pressure on the Securities and Investments Board, the investment regulator which has responsibility to implement Mr Clarke's orders, to dilute the reforms' impact. Foot-dragging, though, would be extremely unwise as it would only serve to damage further the industry's image. Life companies should realise that the game is up and it is time to clean up their act.

A case that doesn't compute

Louise Kehoe on the implications of a stalled anti-trust ruling on software groups

The US Federal Trade Commission's inability to come to a decision on whether to pursue anti-trust complaints against Microsoft, the world's largest software company, has fuelled a long-simmering debate in the computer industry.

Is Microsoft's domination of the software field a model for US international competitiveness, or has it inhibited the ability of rival US companies to compete on a "level playing field"? Not since the early days of the US-Japanese chip trade wars a decade ago, have feelings run so high on the issue of allegedly unfair business practices.

The FTC's failure on Wednesday to reach a conclusion on whether to take action against Microsoft did not close its three-year anti-trust investigation. But it has dampened the hopes of competitors that Microsoft will be forced to change its alleged unfair business practices.

"We are very disappointed," said Mr David Bradford, senior vice-president and general counsel of Novell, Microsoft's largest competitor in the PC market and its most outspoken critic. "It is unbelievable that the FTC will not act on this case." Microsoft's business practices are reducing competitors' sales, forcing job cuts and discouraging investment in the software industry, he and other critics charge.

Not everyone in the computer industry sees Microsoft as a bully that has carved out market share at the expense of less aggressive, smaller rivals. Some observers believe Microsoft has helped to create business opportunities for a host of smaller software and computer companies in an expanding market, but that these have been bruised in their attempts to compete directly with the software superpower.

"Microsoft is a very good, smart company that does a good job and Americans should be proud that it exists. It really has fostered development," said a senior software industry executive. "There are too many would-be multi-billionaires in the industry who prefer to criticise Bill Gates's Microsoft than to examine their own shortcomings."

The FTC decided to probe the software industry in June 1990, apparently prompted by extensive reports about Microsoft's dominance in the personal computer operating system market. Microsoft is the leading supplier of software for PCs. Its MS-Dos program – which controls the basic functions of a computer – is used on an estimated 95 per cent of all standard PCs (excluding the Apple Macintosh). This has given the company a virtual monopoly in the industry that, some charge, it has abused.

Mr Bradford claims Microsoft has constrained competition in the market for PC operating systems through its use of "per-processor" licensing policies.

Microsoft offers discounts to computer manufacturers which agree to pay licence fees for the use of MS-Dos calculated on the total number of PCs they sell, rather than the number of copies of the program they make. In effect, this prevents PC makers from offering their customers alternative operating systems such as Novell's DR-Dos, Novell claims. If a customer chose DR-Dos, for example, the PC maker would still have to pay Microsoft's MS-Dos licensing fee because of the "per processor" licensing agreement.

Microsoft has also been accused of "technological tying", by allegedly introducing features into some of its programs that link their use to other Microsoft products. A further charge is that the company gives its own applications program developers – who develop word processors, spreadsheets or games – information about operating system program changes before it informs competitors, thereby putting the latter at a disadvantage.

Yet some observers argue that, by establishing an industry standard with MS-Dos that enables PCs from hundreds of different manufacturers to "play" the same applications programs, Microsoft has contributed significantly to the proliferation of PCs over the past decade, creating a $50bn worldwide industry dominated by US hardware and software manufacturers. If the US justice department decides to pursue the anti-trust action and succeeds in restraining Microsoft, this could damage the entire software industry.

"We are not asking the FTC to break Microsoft apart," Mr Bradford insists. "What we want is to enable customers to walk into a computer store and have the freedom to choose among a broad choice of operating systems programs, or network operating system programs or applications programs. The customer would benefit from increased competition."

Novell, which is leading the crusade to persuade the justice department to step in, would benefit if Microsoft were forced to modify its business practices. However, dozens of other software and computer companies, including Borland International, WordPerfect and Lotus Development, have provided the FTC with information about Microsoft's alleged violations of anti-trust laws and would stand to gain equally. Steve Jobs, founder of Apple Computer and now chairman of Next Computer, has publicly called for the break-up of Microsoft into two companies, one for operating systems, the other for applications programs. He charges that Microsoft's monopoly restricts innovation in the PC industry.

As the FTC conducted its investigations, it found that Microsoft's competitors were keen to share their stories of the industry leader's tactics.

"I've met with the FTC about 10 times and it is very clear to me that the FTC staff has concluded that Microsoft's practices are not only unlawful but incredibly harmful to the US industry," says a senior executive at another large PC software company.

Yet on two occasions – first in February and then on Wednesday – FTC staff recommendations for anti-trust action against Microsoft have failed to win a majority vote from the four commissioners considering the case (see below).

Two of the commissioners have not been convinced. "They have been persuaded by Microsoft that they are simply hearing whining and complaints from companies that envy Microsoft's success or are not as clever or competitive," another software industry executive says.

Microsoft remains stubborn. While consistently denying any wrongdoing and co-operating fully with the FTC investigation, executives reject any suggestion the company might need to modify its practices to avoid even the appearance of anti-trust violations. The company says it does not want to be constrained by having to "second-guess what a government agency might think" about business decisions.

"The considerations are: is it in our business interests, is it in the customers' business interests, is it legal and moral? And if it is, then we go ahead and do it. In the long term, the FTC and all the enforcers will recognise that that is the way business decisions ought to be made," Mr Mike Maples, Microsoft executive vice-president, has said.

Yet Microsoft cannot be complacent. The FTC has the power, if it decides to use it, to change the shape of the US software industry, loosening Microsoft's hold on the market and launching a free-for-all whose outcome is unclear. While a fragmented industry might benefit some players, it could have a detrimental effect by confusing customers and thus slowing PC sales.

With the FTC anti-trust case stalled, Microsoft's critics are considering other options, such as bringing a private anti-trust action. That could tie up Microsoft's resources for years and divert its energies.

Maybe conciliation would be a more advantageous response. Microsoft might care to look at the example of Intel, the world's largest semiconductor chip maker. It was also the target of competitors' allegations of anti-trust violations, but was exonerated by the FTC after it instituted a company-wide training programme to make its employees aware of anti-trust laws.

Perhaps there is a lesson there for Microsoft, although its competitors might wonder whether it is the right one.

Behind closed doors

Members of the computer industry and press, waiting in the lobby at 600 Pennsylvania Avenue, Washington, for the Federal Trade Commission's anti-trust decision on Microsoft, were told at about 2pm on Wednesday the agency would not comment on the stalemate it had reached.

Privately, however, FTC observers said politics had played a role. The group reached a two-to-two deadlock, with commissioners Janet Steiger and Dennis Yao voting for an administrative action (seeking changes in business practice) against Microsoft, and commissioners Deborah Owen and Mary Aczcuenaga voting against. The group then argued about closing the case.

Owen is a conservative Republican appointed by former President George Bush in 1989. Aczcuenaga, an independent, has been noticeably hesitant in the past about intervention in cases of alleged monopoly. Steiger is a liberal Republican, and Yao is a Democrat.

The complaint voted on by the commissioners involved two main points: Microsoft's practice of creating the appearance of incompatibilities between its own and rival products, and its "per processor" licensing scheme (see above). The latter was restored to the complaint at the last minute, after argument by attorneys for Novell, Microsoft's largest competitor in the PC softare market. Novell had protested that the licensing issue – which it saw as having an enormous impact on competition – had been thrown out of the case owing to an objection by one of the commissioners.

FTC insiders said that, despite Owen's insistence that the case be closed, the other commissioners chose to keep it open. The commission has thus allowed for the possibility that it or the justice department could eventually try the case.

The FTC is considering three scenarios. First, the justice department could ask to take on the case. Ann Bingaman, President Bill Clinton's new anti-trust chief at the justice department, has acknowledged that she is interested in the case.

Second, commissioner Owen, said to have been looking for another job recently, might take up a position outside the agency. Clinton could then name another commissioner, who might break the deadlock.

Third, FTC insiders said commissioner Roscoe Starek, who withdrew himself from the case, had made inquiries about rejoining it. Having a fifth commissioner involved could break the deadlock.

Observers of the three-year FTC inquiry into Microsoft's practices said the best outcome for the FTC would be to finish the case itself, as it would be an embarrassment if the justice department were to have to finish work it had started.

"It is unlikely the case will remain open for very long, unless the department of justice asks for documents, or a change occurs at the FTC," said a source close to the agency. If the FTC received a request to take over the case, Janet Steiger, FTC chairman, would decide whether to grant it.

Microsoft, which discovered the possible involvement of the justice department about a week ago, is expected to begin lobbying officials. Late last week, Bill Gates, chairman of Microsoft, and a team of Microsoft attorneys, met separately with each commissioner, and with FTC staff serving on two of its investigative arms, its Bureau of Competition and Bureau of Economics.

If the case moves to the justice department, Microsoft is expected to hear soon whether the department will proceed against it.

Within the FTC there is a body of opinion that the justice department may take the case within a month. It could request that some of the FTC lawyers on the case be "deputised" to it.A formal request for documents would need to be issued, according to rules on transferring documents from one agency to another "for law-enforcement purposes".

In the UK, the Office of Fair Trading continues its own six-month-old investigation of Microsoft. The FTC is expected to provide the OFT with copies of its subpoenas and requests for evidence from Microsoft. Observers in the US said that software companies Novell, Borland and WordPerfect have all been providing information on Microsoft's alleged anti-competitive practices, both to the OFT and the European Commission.

Wendy Goldman Rohm

The author is writing a book on the FTC and Microsoft to be published early next year

OBSERVER

Dagger and cloak

■ Given the inevitable suspicion that MI5's vow to be more open is a smokescreen, it's reassuring to see some unequivocally cloak and dagger work in process on the fringes of security operations: in the London-based International Institute of Strategic Studies.

Why did its Swedish director Bo Huldt leave after only a year? Because his wife couldn't find a job in London, the institute's council was told this spring by its chairman Robert Ellsworth, once President Nixon's under-secretary for defence.

Really? Well…not quite.

It seems that Huldt, who's going back to heading Sweden's institute of international affairs, was given his marching orders by Ellsworth, apparently in response not only to complaints from staff, but to a drastic decline in support from US foundations.

The revelation has nevertheless scarcely pleased the council members, drawn from the great and the good of the western defence establishment. Hence, perhaps, their shilly-shallying over Ellsworth's attempts to have Huldt replaced by the institute's director of studies, John Chipman, a Canadian who has applied for British nationality.

Thanks to a special council meeting, he is now faced by an external contender, with the choice to be announced at the institute's September conference in Brussels.

Whichever of the two ends up getting the dagger, the outsider's identity is under the cloak. But there's one thing that is known. Since the candidate is definitely a he, it is not Stella Rimington.

Crash barrier

■ In accordance with what might be termed Vorsprung Murk Technik, the Germans are customarily kept in the dark about road accidents in their country. But the bonnet has now been lifted by a certain Professor Klaus Engels of Cologne with a study of 102,683 shunts during 1991, which was published in Focus magazine, a new German weekly.

Alas his work – showing that the toll included 10,643 deaths, 515,960 injuries, and DM17.2bn in insurance pay-outs – is not uniformly considered useful by the motor manufacturers, at least. Take for instance the sceptical response Focus quotes from Volkswagen spokesman Dietmar Fritsche: "What would the public do with the data?" he said.

Only adding to VW's woes this summer, it emerges that while the German company does head at least one of the safety leagues compiled for the US - where its advertising features road accident statistics alongside a family beside the slogan "Keep your valuables in a safe place" - none of its models appears in Engels's top 10 in its home market. They are led by two Nissans followed by a Peugeot, a Volvo, a Ford Granada, two Mercedes, a Citroën, a BMW, and a Mercedes again. The best ranked VW, its Santana, comes 13th.

'Your Skills Training Agency old boys' reunion's been cancelled'

No reserve

■ This year's New York Fed Christmas party should be distinctly enlivened by the presence of the new governor Bill McDonough.

Despite his quiet demeanour, McDonough is something of an entertainer in his way, it transpires. In his First Chicago days he was an active member of the British-North American Committee, the group of 130 private sector leaders from the US, Canada and Britain, whose current membership includes the likes of Sir David Plastow, Ronnie Hampel and John Heimann, and from which, now being a public servant, McDonough has since stepped down.

Four years ago, the December meeting marking the committee's 20th anniversary was held in Montreal where the hosts put on a traditional Beaver Club dinner, complete with live bear and hunter on horseback. The high spot of the evening, however, was McDonough, whom a friend describes as "very Irish really", taking to the floor with the then chairman of the Rank Organisation, the late Sir Patrick Meaney, to regale the audience with a medley of songs from the Emerald Isle.

Softly softly

■ If John Major reckons it has been a tough week, he might like to ponder the fortunes of the opposition Indonesian Democratic Party (PDI) at its annual conference in Sumatra.

The PDI won just 15 per cent of the vote in last year's general election and it appears that the government, in power for over 20 years, is getting a little bored with easy domination. Hence, it was the founder of the ruling Golkar party, President Suharto himself, who opened the conference, calling on the PDI to get its act together.

As if his presence were not enough, he was followed by the home affairs minister and the chief of the armed forces entreating their opponents to unite.

No sooner had they left than 50 rebel PDI members tried the other approach. Storming the venue in a pick-up truck, they knocked down the entrance gates, and seized the floor shouting "Kill Surjadi", the PDI chairman. "This is our congress, so please sit down," the rebels' leader bellowed.

Order was re-established just in time for the minister of defence to give his speech.

Cold snap

■ The wisdom of public servants' hallowed principle – "give 'em an inch and they'll take a mile" – is perhaps shown by the experience of the UK Meteorological Office's inquiries service, opened in response to John Major's Citizen's Charter.

From 400 calls in its first month, it's now up to 1,000-plus. Nor are all of them easily answered, as witness the farmer's complaint about the office's advance warnings of frosts weather-watchers can foresee. "I can get most of these from the evening TV forecasts," he snapped. "What I really want is a warning of *unexpected* frosts."

FINANCIAL TIMES
Friday July 23 1993

Battle lines drawn as party old guard are defied

Miyazawa bows out as leader of Japan's LDP

By Robert Thomson in Tokyo

MR KIICHI MIYAZAWA, citing Confucian wisdom that "the righteous worry not", yesterday announced his resignation as president of the Liberal Democratic party, setting off a battle over the choice of Japan's next prime minister.

Party executives had wanted to form an exclusive committee among themselves to pick a successor, but younger LDP parliamentarians rebelled, accusing the elders of "undermining public confidence" in the party and forcing a vote on the issue.

If yesterday's meeting is a guide, the party faces a torrid couple of weeks in satisfying older leaders, who want their turn at the top, and younger MPs, who want the party to appoint a proven reformer to lead an overhaul of the political system.

In the past, a new LDP president has simultaneously become prime minister, but the party's loss of a parliamentary majority in last Sunday's election has meant that the next leader of the LDP will not necessarily lead the country.

Kanemaru pleads not guilty to tax evasion ....Page 4

Mr Miyazawa will be prime minister until an extraordinary session of parliament early next month, when a new leader will be chosen. If opposition parties are able to form a coalition and agree on a candidate, they will have the numbers to defeat the LDP candidate in the Japanese parliament.

In the meantime, the LDP's five large factions must select a successor acceptable both to the party and to the coalition partner that they will need to ensure that their choice does become prime minister.

Mr Seiroku Kajiyama, the LDP secretary-general, suggested the formation of a "unity and progress association" to select a successor. The idea provoked outrage among younger members, one of whom said that the "public detests the look and the smell of the LDP."

Seeing himself as the party's new fixer, replacing Mr Shin Kanemaru, whose tax evasion trial began yesterday, Mr Kajiyama has blundered in recent weeks and is blamed by some young MPs for the splitting of the party last month and the loss of a majority.

"I regard prime minister Miyazawa as a class C war criminal, and I demand that class A and class B war criminals also take responsibility," the head of an LDP reform committee told the meeting, referring to the political fray.

Nicaragua strikes back at rebels as fighting kills 30

By Tim Coone in Managua

NICARAGUAN troops backed by helicopter gunships and armoured vehicles yesterday counterattacked rebels who seized control of a provincial capital and blocked the Pan American highway on Wednesday.

Heavy fighting was reported to have killed 30 people in and around the city of Estelí in the north of the country, with a further 70 injured. The fighting is the most serious challenge to the authority of President Violeta Chamorro's government since she took power from the leftwing Sandinistas in April 1990.

The rebel troops are leftwing veterans from the war in the 1980s when US-backed Contra rebels tried to overthrow the Sandinista government. They are led by a former Sandinista army major who commanded an elite counter-insurgency battalion in the 1980s.

There is growing concern that if the army cannot regain control in the next 24 hours, further towns in the north will fall to the rebels and that rioting might break out in the capital and other cities. But for the moment the government has ruled out a state of emergency.

Calling themselves the Workers' and Peasants' Revolutionary Front, the rebels are demanding that the government make finance available for small farmers and craftsmen, and that demobilised troops – numbering around 100,000 – should receive free health and education and lifetime pensions. The rebels are also trying to halt the privatisation of gold mines and sugar and banana plantations.

The government has said it is not prepared to negotiate with the rebels, and a spokesman for the army, which continues under Sandinista control, described the rebels as "delinquents" who would be pursued into the mountains and destroyed.

While condemning the rebels, the leadership of the Sandinista FSLN party has urged the government to take urgent action to alleviate growing poverty in the countryside.

Deep rifts have recently appeared within the FSLN. The radical wing of the party, supported by trade union and peasant farmers, wants to break away from what has evolved into a coalition government of social democrats, other centrists and FSLN moderates.

The army, under the command of General Umberto Ortega, is firmly behind the government. However, the government is now being attacked from both right and left as austerity measures implemented over the past two years produce sharp cuts in social services and rising unemployment.

A loose alliance of rightwing and leftwing rebels in the mountains has been skirmishing with the army for the past year. They are thought to number about 1,500.

ERM currencies under pressure

Continued from Page 1

ous stage. "Up until now it has been something of a phoney war," said Mr Potts. "Today, for the first time we have seen very heavy selling pressure."

Mr Edmond Alphandéry, the French economy minister, yesterday reaffirmed the government's commitment to the franc's current ERM parity.

In an interview published in Le Figaro he said: "The markets have to understand that our determination is total. The priority is monetary stability. The cornerstone is the maintenance of the parity between the franc and the D-Mark."

But several currency traders said the franc was more vulnerable than before because the recession affecting the French economy made it harder to protect the currency through a sustained period of high interest rates.

Wellcome claims AZT patents victory

By Paul Abrahams in London

WELLCOME, the UK pharmaceuticals group, yesterday claimed victory in its struggle for ownership of the patents for AZT, its treatment for the Aids virus, HIV.

The drug, also called Retrovir, is the company's second best-selling product, generating worldwide sales last year of £213m ($319m), which represents 12.5 per cent of Wellcome's turnover. Wellcome's shares rose 29p to close at 641p after the ruling by a federal court in North Carolina.

Barr Laboratories, one of the two US generic companies which are challenging the patents, contested Wellcome's claims of victory. Mr Edwin Cohen, Barr's chairman, said that his company would be appealing to a federal appeals court in Washington. The other group contesting the patents is Novopharm.

Wellcome said the judge had decided that the evidence was overwhelming and conclusive that inventors at Burroughs Wellcome, its US subsidiary, had first conceived of the idea of using AZT as a therapy for treating persons infected with HIV. The company added that the judge had decided there was no evidence for the jury to find against Wellcome.

Mr Paul Holcombe, vice-president and general counsel at Burroughs Wellcome, said: "I call that sort of conclusion a clear cut victory. It is a victory not just for Wellcome, but also the whole research-based industry as well."

Mr Cohen, however, said that the judge had been unable to decide upon a definition of the term "conception of the inventive process"; a term which was vital to the case. If the appeal court agreed with Barr's definition, Barr would ask for the case to be heard before a new jury. Mr Holcombe said the judge had agreed with Wellcome's definition.

Meanwhile, Wellcome announced that Sir Allstair Frame, its chairman, would retire for reasons of ill-health. In April, Sir Alistair announced that he would step down as chairman of British Steel following the advice of his doctor.

Mr Roger Gibbs, chairman of Wellcome Trust, which last year sold its majority stake in Wellcome, said: "We are most sad that Sir Alistair's health will not allow him to continue. We are grateful to him for the outstanding contribution he has made over the past three years, and will miss his wisdom and experience."

The group's chief executive, Mr John Robb, will take over as interim chairman. The company insisted the measure would be temporary until a replacement could be found.

THE LEX COLUMN

Les Misérables

There was a sickly look not just to the French franc but to the entire ERM last night as the realisation sank in that strong money growth would make the Bundesbank reluctant to cut rates. There is little chance of the system surviving in its current form if the franc is forced out. That would only underline how wasteful in terms of lost output, jobs and fiscal revenues has been the attempt to keep up with Germany. Both countries must hope they can ride out the storm. Yet intervention on yesterday's scale cannot be maintained indefinitely; nor will the markets be convinced for long by higher French money market rates, given its manifest desire to block any impact on the real economy.

A full point cut in German rates could now be needed to calm the markets down, but that would be a miraculous change of heart for the Bundesbank. Technical alternatives – like a narrowing of the franc's trading bands to show determination or a widening to give additional leeway – do not promise much. Neither would allow France to cut rates significantly below German levels, which is what its economy needs.

Perhaps the Balladur administration should take heart from the UK's experience. Its exit from the ERM allowed rates to be cut and recovery to begin while inflation continued to fall. Against other ERM countries the D-Mark is strong. Against sterling, the Swiss franc and the yen it is weak. Were the French franc to leave the ERM its natural strength might show through. France's determination to cling to the system even at severe cost is the largest factor forcing it down.

Life insurance

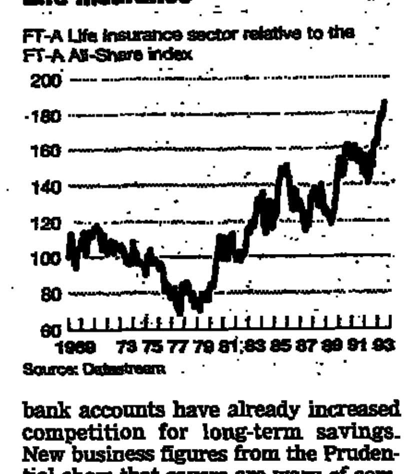
All credit to the chancellor for trying to remove the cloak of obfuscation behind which the life insurance industry shelters. Up-front disclosure of commissions for both independent advisers and tied salesmen makes perfect sense, although the Securities and Investments Board is left with the tricky task of putting the idea into practice. Unravelling pricing structures in bancassurance, for example, will not be easy. Disclosure of life companies' charges may squeeze the least efficient offices. If that forces consolidation on an over-populated industry, so much the better.

How consumers will react when confronted with the full cost of life insurance remains an open question. Personal equity plans and tax-exempt bank accounts have already increased competition for long-term savings. New business figures from the Prudential show that savers are wary of committing themselves to traditional regular premium contracts. Recession may be partly to blame, but the outlook for the housing market – and therefore sales of endowment mortgages – is anything but bright. Unless the government takes some uncharacteristically brave decisions, the pensions revolution of the 1980s has also run its course. Life companies will have to fight for business from here on. Greater transparency may not help their cause.

On that basis the long bull run in life insurance shares may be running out of steam. After the latest rally even fat laid down in the form of undistributed investment surpluses is fully in the price. If disclosure contributes to consolidation there will be rationalisation benefits to come, but these will be spread unevenly through the sector. Picking winners will be more important for investors as well as savers.

FT-SE Index: 2820.1 (+6.0)

Life insurance



Source: Datastream

Volkswagen

Given the welter of publicity surrounding the industrial espionage row between Volkswagen and GM, it is surprising that the former's shares have fallen less than 7 per cent since their 1993 peak earlier this month. The reason may be that, as with the clash between British Airways and Virgin in the UK, the implications for the company are less than meets the eye. Mr José Ignacio Lopez de Arriortúa has acquired a legendary reputation in the motor industry, but GM's share price quickly recovered from the shock of his defection in March. It is far from clear whether his tenure at VW will be unnaturally short, but the effect may be equally transitory if the worst does come to the worst.

VW's labour-shedding programme was in place before Mr Lopez arrived with a brief to cut component costs. His appointment was a final admission on VW's part that radical action was needed. Mr Lopez has not been there long, but he will have had sufficient time to indicate to his new employers how much saving to expect and how it can be achieved. It matters less who now actually implements a programme similar to that already carried out by other large motor companies.

The greater risk to VW is that, in promising to return to the black next year, it may have under-estimated the downturn in the European car market. If it is protracted, producers may have to contend with price falls as well as lower volumes. That would cancel out some of the cost savings VW is now starting to generate.

Tiphook

Trying to put a fair value on Tiphook's shares is one of the market's more esoteric diversions. Following its poor annual results, British investors have shunned the shares, driving the price down to a point where they yield more than 12 per cent. The London market harbours an innate suspicion of companies which support £1bn of debt on shareholders' funds only one-fifth that level and have an unhappy history of haemorrhaging cash.

Yet tastes clearly differ in the US where Tiphook has developed something of a fan club. The televised ruminations of a US fund manager – and substantial shareholder – about a possible bid sparked a surge of interest in Tiphook's ADRs. Tiphook's denial that it was in any takeover talks failed to damp investors' ardour. Its shares closed 24 per cent higher yesterday.

Of course, Tiphook could become a bid target; GE Capital recently bought its rival TIP Europe. Nevertheless, the hope seems a tenuous thread by which to suspend such a heavy weight of financial worries. Tiphook must be fervently praying that last night's telephone conference with 500 US investors does not have the same effect on its share price as its recent talks with UK analysts.

FT WORLD WEATHER

Europe today

An extensive ridge of high pressure will give France and the Alps dry and sunny periods. Temperatures will rise to 20C-25C, reaching 30C in southern France.

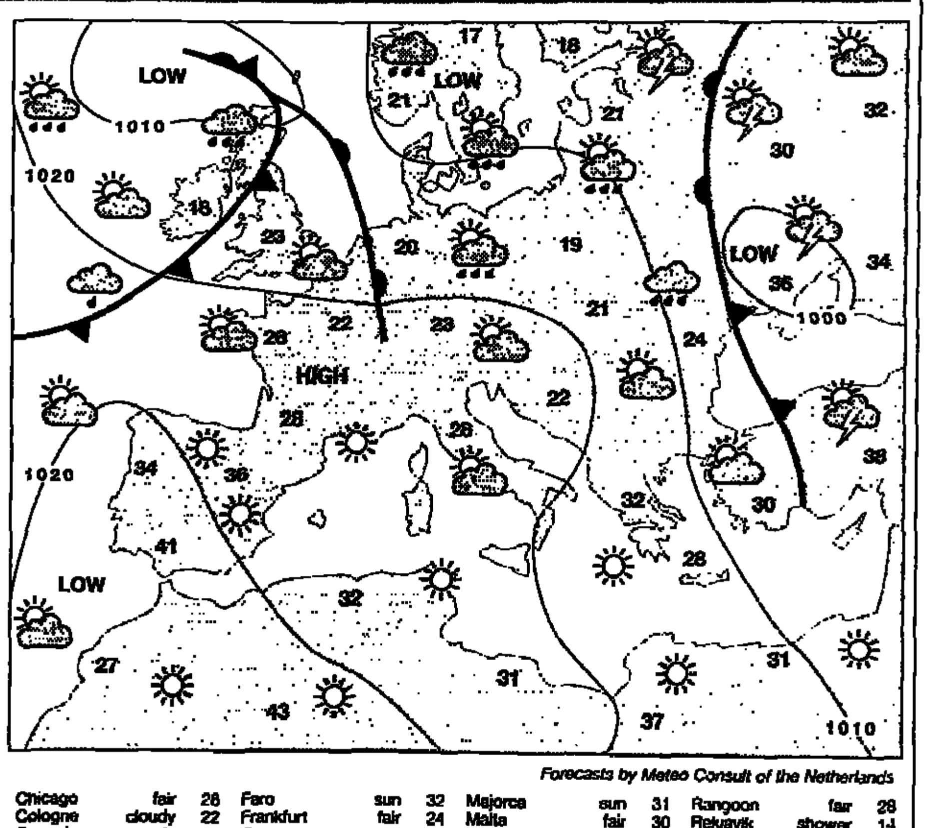
Frontal systems associated with a depression north of Scotland will cause some light morning rain or drizzle in most of the UK and the Low Countries. In the afternoon, especially in the southern regions, some clearing will occur.

In Spain and Portugal, the sunshine and heat will continue. Greece will stay sunny but increasing northerly winds will keep temperatures below 30C. Scandinavia and Russia will stay unsettled with thundery showers.

Five-day forecast

A cold front with rain or thunder showers will move over the Low Countries and France on Saturday and then move east. Behind this system, the next few days will feature cold and unstable air pushing into north-western Europe.

Scandinavia will still be unsettled and rather cool. Southern Europe will remain mostly sunny and very warm.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	41
Accra	cloudy	27
Algiers	sun	32
Amsterdam	fair	19
Athens	fair	32
Bangkok	thund	34
Barcelona	sun	28
Beijing	shower	28
Belfast	shower	19
Belgrade	fair	22
Berlin	shower	22
Bermuda	fair	31
Birmingham	fair	23
Bogota	shower	18
Bombay	shower	30
Bordeaux	fair	28
Brussels	fair	21
Budapest	fair	21
Buenos Aires	fog	13
Cairo	sun	37
Cape Town	fair	18
Caracas	shower	27
Chicago	fair	28
Cologne	cloudy	22
Copenhagen	cloudy	18
D' Salaam	shower	27
Dakar	fair	30
Dallas	fair	37
Darwin	fair	31
Delhi	cloudy	33
Dubai	sun	42
Dublin	shower	21
Dubrovnik	sun	29
Edinburgh	rain	20
Faro	sun	32
Frankfurt	fair	24
Geneva	fair	25
Glasgow	shower	19
Hamburg	rain	20
Helsinki	shower	20
Hong Kong	shower	32
Honolulu	fair	31
Isle of Man	cloudy	18
Istanbul	fair	29
Jersey	cloudy	17
Karachi	cloudy	33
Kuwait	sun	47
La Paz	cloudy	17
Las Palmas	fair	27
Lisbon	sun	37
London	fair	25
Los Angeles	fair	27
Luxembourg	cloudy	21
Lyon	cloudy	26
Madeira	fair	26
Madrid	sun	36
Majorca	sun	31
Malta	fair	30
Manchester	cloudy	21
Manila	shower	33
Melbourne	rain	15
Mexico City	shower	22
Miami	sun	34
Milan	fair	29
Montreal	shower	24
Moscow	thund	28
Munich	fair	24
Nairobi	cloudy	19
Naples	fair	30
Nassau	fair	32
New York	fair	29
Nice	sun	25
Nicosia	sun	37
Oslo	shower	21
Paris	fair	25
Perth	shower	16
Prague	fair	21
R' de Janeiro	fair	24
Rangoon	fair	28
Reykjavik	shower	14
Riyadh	sun	43
Rome	fair	28
S' Francisco	fair	22
Seoul	shower	27
Singapore	rain	31
Stockholm	shower	18
Strasbourg	cloudy	26
Sydney	fair	18
Tel Aviv	sun	33
Tokyo	fair	28
Toronto	sun	26
Tunis	sun	31
Vancouver	cloudy	19
Venice	sun	26
Vienna	fair	23
Warsaw	fair	19
Washington	fair	32
Wellington	shower	13
Winnipeg	shower	26
Zurich	fair	24

FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 23 1993

INSIDE

BankAmerica fails to keep up with sector

BankAmerica, the second biggest US bank, failed to match the improvement in its rivals because of the slow recovery in its home market California, and recorded static second quarter net income of $488m. Page 22

Boots to sell Sephora

Boots, the UK retailing and pharmaceuticals group, has agreed to sell its French retail subsidiary Sephora for £40.9m ($61m) and reported sales in the three months to June up 7.7 per cent on last year. Page 20; Picture, Page 24

Dow Chemical drops 28%

Dow Chemical, the second biggest US chemicals group, unveiled a 28 per cent drop in second quarter operating income to $388m, reflecting the poor performance of its personal care division and a large pre-tax charge at Marion Merrell Dow. Page 22

Gas prices lift Amoco

Higher gas prices, and an improvement in costs in refining and marketing, helped the US oil and gas group Amoco raise second-quarter net income to $487m. Texaco doubles second-term profit, Page 22

Japan's controls attacked

Leading brokers and banks based in Tokyo claim that a series of restrictions on stock trading has decreased liquidity in the Japanese futures market and added to volatility on the underlying cash market. Their forum, the Committee to Make Tokyo Financial Markets More Transparent and International (CTTI), says tight regulations are responsible for undermining Tokyo's credibility as an international financial centre. Page 23

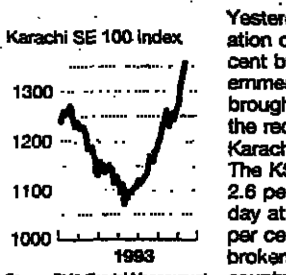
Prudential premiums grow

Prudential Corporation, the UK's largest life insurance company, reported 40 per cent growth in worldwide single premium sales in the first six months and a 5 per cent fall in income from annual premiums. Page 24, Lex Page 18

EC to drain wine lake

The European Commission announced a series of measures to curb the EC's growing wine lake, including an end to using generous subsidies to encourage the distillation of surplus wine. Page 36

Pakistan finds new impetus



Source: BMA Capital Management

Yesterday's rupee devaluation of just over 6 per cent by the caretaker government of Pakistan brought fresh impetus to the recent recovery on the Karachi Stock Exchange. The KSE-100 index closed 2.6 per cent higher yesterday at 1,354.95, up 6.8 per cent this week. Many brokers believe that the country's period of economic and political turmoil may be over. "The market is rising because short-term uncertainties are over," says one. Back Page

Market Statistics

Base lending rates	44	London share service	37-39
Benchmark Govt bonds	23	Liffe equity options	23
FT-A indices	37	London tradit. options	23
FT-A world indices	Back Page	Managed fund service	40-44
FT fixed interest indices	23	Money markets	44
FT/ISMA int bond svc	23	New int. bond issues	23
Financial futures	44	World commodity prices	36
Foreign exchanges	44	World stock mkt indices	45
London recent issues	23	UK dividends announced	24

Companies in this issue

AT&T	19	Johnson Matthey	24
Abitibi-Price	22	Lex Service	24
Anglo American	21	Liberty Life	21
BCP	20	MCI Communications	19
BICC	25	Marley Industries	8
BNP	19	Maxwell Comm	25
BankAmerica	22	Maytag	22
Bankers Trust	22	Munich Re	20
Barito Pac. Timber	21	NAB	21
Bass	25	Nat & Provincial	24
Bellsouth	21	Occidental Pet	22
Blockbuster Ent	22	Pfizer	22
Boots	24, 20	Philip Morris	19
Brent Walker	24	Prime People	25
Bridon	8	Prudential	24
British Syphon Inds	25	Rhône-Poulenc	19
Bullough	25	Sachsenmilch	20
Cimenteries CBR	20	Salomon	19
Delta Air Lines	22	Schering-Plough	22
Dixons	21	TSB	24
Dow Chemical	22	Tinsley (Eliza)	25
Elbief	25	Tiphook	19
Elf	20	Vauxhall	8
First Technology	24	Warner-Lambert	21
Grahams Rintoul	25	Watts Blake Bearne	25
Hill & Smith	25	Witan Investment	25
IRI	20	YRM	25

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AG Ind & Verk	588	+	13.2
Berliner Kraft	159.5	+	8
Didier-Werke	128.8	+	5.8
Philips Kommun	524	+	16
Rheinelektra	1165	+	45
Falls			
Vag	388.5	–	6.8

NEW YORK ($)

Rises			
Amoco	53¼	+	¼
Compaq Computr	50⅞	+	1⅞
Delta Airlines	51⅛	+	⅛
Microsoft	80½	+	1½
Falls			
Bankers Trust	76	–	1¼
MCI Comms	28¾	–	⅜

New York prices at 12:30.

PARIS (FFr)

Rises			
Gal Lafayette	1689	+	64
Gaumont (Sc N)	517	+	18
Peugeot	633	+	25
Thompson C S F	169.6	+	5.1
Falls			
Damart	3870	–	130
Sagem	1632	–	28

TOKYO (Yen)

Rises			
Calpis Food	1230	+	40
Tokyo B'castng	1440	+	80
Falls			
Brother Ind	535	–	14
Isetan	1630	–	60
Kyodo Siryo	540	–	20
Shiratzu Corp	811	–	43

LONDON (Pence)

Rises			
Barlows	53	+	10
Border TV	136	+	6
British Steel	107	+	4½
British Syphon	180	+	55
Eidos	53	+	5
Eva Group	436	+	36
Gibbs Mew	295	+	20
Hill & Smith	151	+	7
Natl Express	233	+	10
Racal	229	+	7
Regalian Props	19½	+	2
Sage Group	414	+	29
Tiphook	244	+	47
Wates City Lon	77	+	7
Wellcome	841	+	29
Falls			
AAF	102	–	8
Aragon	79	–	8
Aviva Petrlm	65	–	4
Bullough	111	–	8
Monarch Res	164	–	9
Nobo	180	–	9
Tinsley (Eliza)	97	–	10
Whessoe	310	–	14
YRM	37	–	3

Rebound at Salomon sets £433m record

By Patrick Harverson in New York

THE US securities house and energy trading group Salomon yesterday reported record second quarter profits of $433m following a strong performance from its Wall Street brokerage unit.

Salomon's impressive second quarter profits, which smashed the previous three-month record of $273m, set in the first quarter of 1991, represented a rebound from the $102m net loss incurred in the first quarter.

The profits figure was also a sharp rise from the $211m of the same period a year ago. That figure, however, was affected by a $185m charge to cover costs related to the 1991 Treasury auction scandal.

Yesterday's results underlined the capricious nature of Salomon's earnings, which swing wildly from quarter to quarter because of the brokerage unit's reliance on trading its own capital in the financial markets, and because of the volatility of the energy division.

The second quarter results would have looked better but for two charges, one of $45m to cover a reduction in leased office space in New York and Tokyo, and another of $20m for a write-down of the group's investment in White Knights, the troubled oil production joint venture in Siberia.

The biggest contribution to Salomon's record quarter came from Salomon Brothers, the Wall Street brokerage operation, which posted the strongest earnings ever by a publicly traded securities house.

Salomon Brothers' client-driven business – which includes stock, bond and currency sales and trading, investment banking, asset management, emerging markets and private client investment services – was particularly productive. These businesses brought in $913m, more than double the $462m of a year earlier. The firm attributed the improvement to favourable market conditions, internal changes, cost controls, and a recovery of business that was lost following the scandal.

Revenues from the unit's other main business – the trading of financial assets using the firm's own capital – totalled $523m, down from an exceptional second quarter of 1992, but a healthy recovery from losses incurred in the first three months of this year.

The group's oil products and commodities trading operation, Phibro Energy, and its oil refining operation, Phibro USA, reported pre-tax earnings of $3m and $2m, respectively.

Rhône-Poulenc and BNP chosen to be sold first

By John Ridding in Paris

MR EDMOND Alphandéry, the French economy minister, has confirmed that Rhône-Poulenc, the chemicals group, and Banque Nationale de Paris, will be the first of the four state-owned groups selected for privatisation to be sold.

The government was considering privatising Elf-Aquitaine, the oil group, in tranches, he was reported as saying in an interview published yesterday. This was because of the size of the company. It has an estimated market value of about FFr100bn ($17.2bn), and was the largest of the four companies named in Wednesday's shortlist.

Banque Hervet, the smallest company on the list, with an estimated market value of FFr1bn, is to be sold privately, the economy ministry said. Crédit Commercial de France, which has built up a 34.4 per cent stake in Banque Hervet over the past year, is expected to take control through an agreed purchase of shares.

Last year, Banque Hervet took provisions of about FFr250m to cover bad loans, particularly in the property market. As a result, the bank suffered losses of FFr186m. It has net assets of FFr24bn and 1,600 employees.

BNP, Rhône-Poulenc and Elf, the three principal companies in the first batch of privatisations, will be privatised through a public offer. Mr Alphandéry described the companies as the jewels of the economy and said the shortlist was the natural choice.

The economy minister said he was optimistic that the government would achieve its target of FFr40bn of privatisation receipts by the end of the year. "The size of the market is not an obstacle because the Balladur bond has already prepared the ground," he said.

The Balladur bond, which was issued earlier this month and can be converted into equity in privatised issues, has raised FFr110bn.

Mrs Pamela Harriman, US ambassador to Paris, has expressed concern about the 20 per cent limit on non-EC shareholdings of privatised companies. Addressing a meeting of French and US businessmen earlier this week she said: "We would prefer to see no limit on such investments."

However, investment analysts in Paris said that the limits on non-EC investors would not necessarily be restrictive. "Most big foreign institutions have European operations which could buy shares in the French companies," said one analyst.

AT&T rises while MCI remains flat

By Martin Dickson in New York

AMERICAN Telephone & Telegraph, the US communications and computer group, yesterday reported an 8.6 per cent rise in second quarter net income while MCI Communications, its main long-distance rival, reported flat net income after an extraordinary charge.

AT&T had net income of $1.04bn, or 77 cents a share, on revenues of $16.3bn, compared with $961m, or 72 cents, on revenues of $15.8bn in the same period of last year.

MCI, in which British Telecom is planning to take a 20 per cent stake, reported net income of $150m, or 27 cents a share, on revenues of $2.93bn, against income of $149m, or 26 cents a share, on revenues of $2.61bn.

However, MCI's net figure included a $28m extraordinary charge for the early retirement of debt. Without that, income rose 19 per cent to $178m, while earnings per share were 23 per cent ahead at 32 cents.

AT&T, which also announced a big management shake-up yesterday, said calling volume in its core long-distance telecoms services business grew by more than 5 per cent. Revenues, however, were flat because of customers choosing lower priced services and adjustments to revenue estimates for earlier periods.

Products and systems saw a $166m rise in revenues at network communications products, with most of the increase coming from sales to US telephone companies.

NCR, its computer business, suffered a drop in operating income from $98m to $27m because of "pricing pressure throughout the industry and higher sales of lower-margin products".

For the six months, AT&T reported net income of $2.04bn, or $1.51, excluding accounting changes, compared with $1.84bn, or $1.39, last year.

MCI, which has been eating away at AT&T's long distance market share, said its traffic increased 13 per cent in the quarter. For the six months, MCI's net income was $301m, or 55 cents, after $45m of extraordinary items, against $290m, or 52 cents, in the same period of 1992.

Martin Dickson and Nikki Tait report on Philip Morris's efforts to lure US smokers back to Marlboro country

Old loyalties tested by price war

Phrases such as "Black Monday" or "White Wednesday" are normally reserved for cataclysmic events in the financial markets. But Philip Morris's decision to slash the price of its top-selling Marlboro cigarette brand by almost 20 per cent has been accorded similar status.

April 2, the day on which the price was cut was announced, has entered the history books as "Marlboro Friday".

There is good reason for this. For years Marlboro has been one of the world's top brands, commanding more than a fifth of the $46bn US cigarette market. The price cut both created mayhem in the highly profitable US cigarette market and jolted the whole consumer products sector, where all brands suddenly seemed vulnerable to cheaper own-label or generic alternatives.

After all, if penny-pinching consumers were willing to substitute "discount" smokes for a well marketed brand such as Marlboro, triggering widespread price cutting, would they not do likewise with less renowned names?

Dust from Marlboro Friday shows little sign of settling

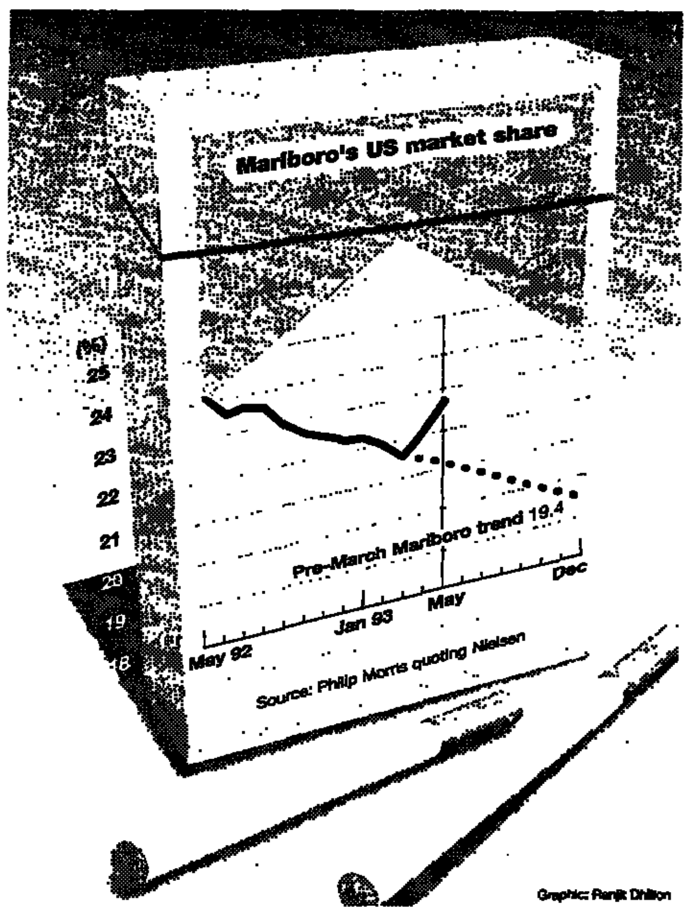
Three months on, the dust from Marlboro Friday shows little sign of settling. Philip Morris announced this week that the Marlboro price cut – previously presented as a temporary, market-testing move – was being made permanent and extended to the rest of its premium brands, including Virginia Slims and Benson & Hedges. Other manufacturers of premium brand cigarettes will have to follow.

It also announced price changes in discount cigarettes, a market which was virtually non-existent 10 years ago but now commands around 40 per cent of total US cigarette sales.

Ironically, Philip Morris, a late entrant to the discount market, is now one of the segment's leaders, with an estimated 33 per cent market share, roughly the same as arch rival RJ Reynolds.

Philip Morris said it would be increasing the price of its cheapest brands (so-called "deep discounts") by around 6 cents a pack, and would formally move its mid-range brands, which are already deeply discounted through trade promotions, down to that level.

The result will be a two-tier price structure rather than a three-tier one which, if it sticks, will be simpler for the consumer to understand and cheaper for the company to administer.



Graphic: Ranjit Dhillon

The discount price increases are the latest in a series Philip Morris and RJ Reynolds have pushed through since April, with the aim of narrowing the gap between premium and cheap cigarettes to the point where consumer purchases are guided more by perceptions of quality than by price. Marlboro, Philip Morris reasons, will then regain ground, and its increased sales should help offset the loss of profits from lower prices.

After the changes, the average retail price of a pack of discounted Philip Morris cigarettes will be around $1.31 – roughly 45 cents lower than a pack of Marlboro, selling for $1.70 to $1.80. Before April, discount cigarettes could be a $1 or more cheaper than Marlboro's $2.20 pack.

The new price structure is certainly helping Marlboro regain some lost market share. Philip Morris produced figures this week from the independent market research group Nielsen showing that an eight-month decline in the brand's share of US cigarette sales, to 21.5 per cent in March, had been sharply reversed. Its share rose to 22.6 per cent in May.

The company thinks that Marlboro's share may be up to around 24 per cent in July – roughly what it was in May of last year – and that the price cuts are adding 2 to 4 percentage points.

However, this does not mean all is hunky dory.

First, it seems that much of Marlboro's gain so far has come from other premium brands, including Philip Morris's own. Mr Gary Black, an analyst at Sanford C Bernstein, the US brokerage, reckons only about half of the increase has come from discount brands, a figure which Philip Morris's preliminary data seems broadly to support.

The corollary, says Mr Black, is that Marlboro is likely to lose around half of its total market share gain since April, because consumers will revert to other premium cigarettes as their prices are cut.

Second, it is far from certain that the 45 cents a pack price differential between premium brands and discounts, which Philip Morris wants to impose on the market, will stick.

Analysts suspect that smaller manufacturers of discount brands may cut prices to maintain their share, creating a new, ultra-low price third tier. At the very least, it is thought they will not follow Philip Morris's price increases.

Little more than a month after Marlboro Friday, Liggett Group – a competitor weakened by falling market shares and declining profits – launched a brand called Eagle. This combines fairly attractive packaging and reasonable quality with one of lowest "discount" prices.

Whatever the outcome, there can be little doubt that the profits of the US industry will be depressed for the foreseeable future.

Industry profits will be depressed for the foreseeable future

With the US tobacco market declining at a rate of around 2.5 per cent a year, the cuts seem unlikely to push up demand.

Philip Morris reckons operating profits from its US tobacco business will be about $3bn this year, a fall of more than 40 per cent. Second quarter profits, announced this week, fell 53 per cent to $684m.

Mr Black forecasts that Philip Morris's US tobacco profits will dip by $500m more next year to about $2.45bn, and that the US industry as a whole could see 1994 profits down by $1bn.

This is before the uncertain effects of any decision by the Clinton administration to raise federal excise taxes on tobacco products to pay for its healthcare reform package, due out in the autumn.

The only consolation for Philip Morris is that its international tobacco business is growing strongly – operating income was up 15 per cent to $577m in the second quarter – as consumers in Third World countries take up smoking.

Ironically, Marlboro remains a symbol of American affluence in developing countries, just when financially strained US consumers have sent its owner the message: "We remain fairly loyal to your brand, but only if you keep prices in line with the discount sector." And that could still prove a downward moving target.

Tiphook denies bid rumours

By Andrew Bolger in London

TIPHOOK, the UK transport rental company, yesterday denied it had been approached by any potential bidder in an attempt to quash rumours in New York and London.

Tiphook's shares closed 47p higher at 244p in London yesterday in response to the speculation, which surfaced the previous day in the US. The group's American Depositary Receipts (ADRs) rose $1⅛ to $11⅛.

Mr Robert Montague, chairman, last night addressed a telephone conference of 500 US investors from London to dispel the rumours, which followed the company's announcement of disappointing results last week.

US television quoted Mr Paul Ehrlichman, managing director of Brandywine Asset Management, as saying he saw the possibility of a buy-out of Tiphook. Brandywine owns 1.1m ADRs – 3 per cent of the equity. Possible suitors cited were other US leasing companies such as GE Capital, GATX, Transmerica and XTRA. GATX denied it, none of the others would comment.

Analysts in London were sceptical, pointing out that Tiphook's £1bn debt burden would deter most predators. Large competitors were likely to be blocked on competition grounds.

Tiphook said it had no intention of giving price-sensitive information in the presentation to US investors, who own more than half the group's equity.

The company has the world's second largest fleet of containers – after Genstar – and Europe's largest fleet of trailers, but its share price has halved in less than two years. The proportion of UK shareholders has fallen over that period from 60 per cent to below 30 per cent.

Lex, Page 20

IRI's plans to set up two steel specialists in revamp

By Haig Simonian in Milan

IRI, the Italian state holding company which controls the Ilva steel group, yesterday unveiled the outline of a restructuring plan designed to improve the performance of its biggest loss-maker and overcome European Commission objections to an earlier reorganisation project.

The proposal involves creating two new companies specialising in flat products and stainless steels respectively.

The plan echoes some of the main elements of its predecessor, unveiled in April, notably the retention of a core steelmaking business based on Ilva's big Taranto integrated steelworks and the Novi Ligure coated products plant.

The two units would form the basis for the new flat products company. The second company would make stainless steels, which are produced at Ilva's big Terni works in central Italy.

Significantly, the new plan makes no mention of Ilva's debts of L7,583bn ($4.74bn).

The previous project entailed transferring much of the debt, along with some steel-making facilities, to IRI, triggering a furious row from other European steelmakers and the Commission.

IRI, which has itself appeared to change track since the appointment last month of Mr Romano Prodi as chairman, hopes the new plan will overcome Commission objections by stressing that all Ilva's activities are now for sale.

Barclays, the UK banking group, has been given a mandate to advise on the disposal of Dalmine, the quoted tubes group, in which Ilva has a majority stake, and the new Terni-based company.

Informal negotiations, predominantly with Italian private-sector steelmakers, are also under way on selling stakes in the flat products company. Any remaining Ilva businesses would be either closed down or sold, said an IRI official.

Mr Prodi yesterday said IRI had already received expressions of interest for some of its activities from both Italian and foreign steel groups.

This week, Mr Paolo Savona, the Italian industry minister, told a parliamentary committee that details of the restructuring, based on the outlines revealed yesterday, would be presented to the Commission by early October.

Unlike the former proposal, it is likely that the new plan will be fleshed out in collaboration with the Commission to prevent another clash over financial aspects of the need for production cuts.

● Alumix, the aluminium subsidiary of the state-owned Efim group, now in voluntary liquidation, announced a reduced loss of L584bn last year against L743bn in 1991.

It is unclear to what extent the improvement derived from specially-subsidised electricity tariffs granted to much of the company's smelting activities.

Sachsenmilch suspended in Frankfurt

By Judy Dempsey in Berlin

TRADING in Sachsenmilch, the only eastern German company listed on the Frankfurt stock exchange, was suspended yesterday following losses and large cost overruns.

The dairy group, based in Dresden, whose majority shareholder is the bank Südmilch of Stuttgart, was listed on the exchange in 1991 in expectation that investments of DM260m ($152.9m) would increase the market share in the eastern states of Saxony and Thuringia.

The shares were issued at DM80, and suspended at DM60.

Deutsche Bank, the dairy's principal creditor, which prepared the company for the listing, said the agricultural ministry of Saxony and Südmilch, were trying to assess the extent of the losses.

Belgian cement group in Polish acquisition

By Christopher Bobinski in Warsaw

CIMENTERIES CBR, the Belgian cement producer, has agreed to pay DM90.4m ($52.50m) for stakes in two cement works in Poland. It will acquire 30 per cent of the Gorazdze works and a 42 per cent share in the Strzelce Opolskie factory, which together produce one-quarter of Poland's cement output.

CBR, which has sought to purchase Gorazdze for over two years, has also promised to buy a further 21 per cent of the shares in the plant in 1997 as well as 38 per cent of the equity in Strzelce, which uses the more costly wet process technology, for DM55.2m.

The Belgian company has also promised to invest DM76m in new equipment for Gorazdze and DM32m for equipment at Strzelce.

A further DM72m will be spent on upgrading marketing operations and DM11m on reducing pollution.

The final stages of the negotiations were accompanied by a strike alert called by the Solidarity trade union branch at Gorazdze, which has been resisting a majority takeover by foreign capital.

It has also supported the Initiative Group (IG), an employee and management bid to purchase the works backed by local banks and several western investment funds.

Mr Janusz Lewandowski, the privatisation minister, yesterday afternoon signed an undertaking for the union and the IG promising that 10 per cent of the equity at Gorazdze would handed over free to the employees.

The remaining 30 per cent would be sold to the IG and the Polish Development Bank, through the Warsaw Stock Exchange.

Banco Santander gains 9% at halfway

By Tom Burns in Madrid

BANCO Santander, the Spanish private bank, yesterday posted the biggest first-half profit increase among the leading domestic institutions by lifting net income 9.1 per cent to Pta47.1bn ($354.1m).

Mr Emilio Botin, the chairman, said the results were due to an expanding customer base, increased international diversification, the stable trend in its traditional business areas and strong results in its Treasury and capital markets operations in Spain and abroad.

Santander raised its January-June return on assets to 1.31 per cent from 1.10 per cent in 1992, it increased its net profits by 11.8 per cent on the preceding year, and its first-half return on assets to 25.81 per cent from 1992's 20.34 per cent.

The banking group's BIS capital adequacy ratio stands at 13.37 per cent.

Operating profit increased by 27.05 per cent to Pta72bn in spite of a 14 per cent increase in operating costs that was due to expanded commercial activities and to the impact of the peseta's devaluation on foreign currency expenses.

The additional costs were offset by large earnings in the group's Treasury and capital-market operations that lifted its ordinary income by 106.8 per cent to Pta36.7bn.

Non-performing loans, which have been undermining the banking sector's results in Spain, grew by 9.2 per cent in the first half of this year and represent 3.48 per cent of the group's risk assets, up from from 3.16 per cent.

Santander, which is a highly conservative bank, raised its provisions by 76.8 per cent to Pta37.6bn to keep its non-performing loan coverage at 100.2 per cent. Mr Botin welcomed the "very satisfactory results" at First Fidelity, the US bank in which Santander has a 19 per cent stake.

The group will pay a quarterly dividend of Pta62 per share on July 31.

Losses widen at German insurer

By David Waller in Frankfurt

MUNCHENER Rückversicherung (Munich Re), Europe's largest insurance group, is to pay an unchanged annual dividend, in spite of heavier losses from mainstream reinsurance business.

The company blamed the increase in losses on Hurricane Andrew, which hit the south-east of the US last summer and mounting car theft.

Munich Re gave no figure but the loss is likely to be in the region of DM1bn ($588m) after losses of more than DM900m last year.

The group said income from investments and from general insurance business more than made up for the renewed loss and parent company profits would be the same level as in the previous year.

This, Munich Re said, would enable the payment of a dividend of DM10 per share – the fifth year in succession that the Munich-based group has paid this dividend.

It voiced optimism about the future, saying that capacity in the world reinsurance market was beginning to shrink after a number of years when the industry was beleaguered by the double burden of excess capacity and a row of natural disasters.

This began with Hurricane Hugo in 1989 followed by the winter storms in 1990, Typhoon Mireille in 1991 and Hurricane Andrew last summer.

Munich Re said that after this period of disastrous conditions for the reinsurance industry there was a chance of a substantial improvement in prices for reinsurance coverage.

There had been a noticeable improvement in prices and conditions for reinsurance and the trend was expected to continue throughout the current year, Munich Re said.

The company warned that at the group level, there would be a small decline in 1992-93 earnings as investment and other income had not fully offset mainstream underwriting losses.

Last year, group net earnings were DM177.6m, nearly 70 per cent up on the previous year.

Group premium income for 1992-93 increased by 11 per cent to about DM25bn, Munich Re said.

Premium income at the parent company rose to DM16bn from DM14.6bn in 1991-92.

Total group investments climbed 6 per cent to DM78bn by the end of June.

Munich Re will publish the full details of 1992-93 figures in October.

UK retailer sells French unit

By Neil Buckley in London and David Buchan in Paris

BOOTS, the retailing and pharmaceuticals group, agreed yesterday to sell its French retail subsidiary Sephora for £40.9m ($61m), as it reported encouraging trading figures and said it saw signs of recovery in the UK retail sector.

Sir Christopher Benson, chairman, told an annual meeting disrupted by animal rights protesters that group sales in the three months to June were up 7.7 per cent on last year. The group expected some further recovery in the retail sector generally during the year.

Sephora is being sold to French retailer Altamir for FFr360m ($61m), made up of FFr178m for the shares and FFr182m to repay inter-company loans. Sir James Blyth, chief executive, said Sephora made a profit in the year to March in spite of tough market conditions, but Boots's strategy demanded all businesses were capable of producing "significant value" for shareholders.

"It is Boots's only retail interest outside the UK and will not meet our very demanding performance criteria in the foreseeable future," he said.

Sephora has made a substantial turnround in the past few years, from an operating loss of FFr60m in 1988 to a small profit of FFr0.27m last year. With 38 shops, it is the market leader in a highly fragmented sector which numbers 2,500 French cosmetics and perfume retailers.

Shareholders heard yesterday that all Boots's businesses except Do It All, the DIY joint venture with W.H. Smith, enjoyed sales increases in the first quarter. Sales were up 5.3 per cent at Boots the Chemists, 10.4 per cent at Halfords, 15.8 per cent in Children's World, 8.6 per cent in Boots Opticians, 3.2 per cent at A.G. Stanley, 11.1 per cent in Boots Healthcare International, and 17.1 per cent in Contract Manufacturing.

Sir Christopher reiterated Boots's commitment to its pharmaceuticals division – where sales were up 11.5 per cent – in spite of the withdrawal of the Manoplax heart drug.

The division was developing a "strong and encouraging new product pipeline", he said.

Picture, Page 24

Portuguese bank ahead at mid-term

By Peter Wise in Lisbon

BANCO Comercial Portugues, one of Portugal's leading private banks, yesterday reported first-half net profits of Es9.6bn ($58.1m), a 2.3 per cent increase on the first six months of last year.

The results reflected a 9 per cent increase in the second quarter after a negative result of 2.9 per cent during the first three months of 1993.

Mr Jorge Jardim Goncalves, BCP president, said the sustained growth in the volume of remunerated assets supported by a broadening of the base of depositors, a satisfactory evolution of commissions and the recuperation of the bank's financial margin after the devaluation of the escudo all played a positive role in the results.

The bank's cash flow reached Es27.7bn during the first six months of 1993, up 9.2 per cent on the same period the previous year.

The contribution of subsidiary companies to the first-half results increased to 22.4 per cent this year from 13.7 per cent of the total in the first six months of 1992.

Net earnings per share reached Es88 during the first half of 1993. Return on assets was 1.2 per cent and the net profitability of own capital was 12.3 per cent. The bank's financial margin rose to 4.7 per cent.

Safra Republic net rises 20% to $27.7m

By Ian Rodger in Vienna

SAFRA Republic Holdings, the Geneva-based private banking group controlled by Mr Edmond Safra, said its net income in the second quarter jumped 20 per cent to $27.7m, or $1.56 per share.

Net income in the first half was up 20 per cent to $54.9m.

Net interest income soared 150 per cent to $42.4m in the period, mainly due to margin improvements. Foreign exchange and other trading revenues advanced 69 per cent to $7.1m. Commission income jumped 58 per cent to $12.8m, thanks to the growth in revenues from off-balance sheet portfolio accounts.

Total assets reached $10.7bn at June 30, up 11.5 per cent year on year, while shareholders' equity was $1.13bn or $63.82 compared with $1.11bn a year earlier.

Nationwide AGM upset

NATIONWIDE Building Society received an upset at its annual general meeting yesterday when a 48-year-old senior manager who lost his job last year was elected a director by investors in a postal ballot, writes John Gapper in London.

Mr David English, who was made redundant as northern region sales director a year ago, received more votes from the 3.5m Nationwide members eligible to vote than one non-executive director standing for re-election.

Liberty Life to float stake in investment unit

By Philip Gawith in Johannesburg.

LIBERTY Life, the big South African life insurance group, plans to raise R1bn ($300m) by floating 20 per cent of its investment portfolio subsidiary on the local stock market.

The company to be floated is Liblife Strategic Investments (Libsil). The market value of its investment portfolio, which includes stakes in some of South Africa's leading blue chip companies, is around R5.6bn.

Mr Donald Gordon, chairman, said half of the flotation proceeds would be used to redeem preference shares in Libsil with the balance used to develop Liberty Life's mainstream insurance business.

Mr Gordon explained that *the transaction provides* greater transparency about Liberty's strategic holdings, thus making them more attractive to investors.

Mr Gordon feels that – once financial sanctions against the country disappear – there is potential for a considerable flow of portfolio funds into South African equities.

He believes Libsil would be an attractive destination for such funds *since it* has large holdings in some of South Africa's largest blue chip companies which are traditionally very tightly held.

The Libsil portfolio includes a 23.8 per cent holding in Stanbic, South Africa's leading banking group; 9.4 per cent of South African Breweries, the consumer goods company; and 23.4 per cent of the Premier Group, the food company.

It also has a 4.6 per cent in Gold Fields of South Africa, the mining house with some of the richest gold mines. Libsil does not hold Liberty's strategic offshore holdings.

The listing, one of the largest in South Africa, will be of *R560m ordinary shares in Libsil.* The shares have a net asset value of about R10 each.

The move will allow Liberty to redeem expensive debentures and invest the balance in a manner that would earn substantially higher returns that Libsil was offering.

Anglo American group lifts profits by 20%

By Philip Gawith

GOLD mines in the Anglo American group, the world's largest gold producer, increased available profit by 19.7 per cent to R251.1m ($76m) in the June quarter, compared with the preceding March quarter.

The profits advance stemmed from higher production – up by 1.1 per cent to 67,803kg – a 4.7 per cent increase in average revenue to R36,327 per kg and a modest increase in total working costs to R1.83bn from R1.79bn.

Although the impact of hedging dilutes the full benefit of the recent firm gold price on profits, the large dividend increases at some mines – up by 155 per cent at Western Deep Levels and 100 per cent at Elandsrand – *are a clear indication* of the better times in the industry.

All five mines in the group increased profits after tax and capital expenditure. Available profit rose by 11 per cent at Freegold to R102.5m: by 27 per cent to R70.7m at Vaal Reefs: by 17 per cent to R38.1m at Western Deep Levels: by 51 per cent to R28.7m at Elandsrand and by 12 per cent to R11.1m at Ergo.

Mr Lionel Hewitt, managing director, said that the recent 30 per cent increase in the rand gold price would not have any dramatic effect on mining strategy before there was clear evidence that the current price trend was sustainable.

Vietnamese fund raises more than expected

By Alexander Nicoll, Asia Editor

THE PROSPECT of rapid development in Vietnam has prompted European investment institutions to commit $44.6m to the Vietnam Fund, more than double the amount it had been hoping to raise this year.

The offering, which closed yesterday, was the second by the Dublin-listed fund, which is the only quoted vehicle for investment in Vietnam. *The* response was in marked contrast to the initial offering in 1991, when it managed to raise only $10m after seeking $30m.

Mr Martin Adams, managing director, said this year's plan had been to raise $20m in Europe, and a further $2m later in the US, provided that *President Clinton* lifted the American embargo on dealings with Hanoi. However, the success of the issue in Europe means the fund now has no plans to raise further capital.

The Vietnam Fund, which takes significant minority stakes in projects producing hard currency or with foreign involvement, has committed its existing cash to agricultural and real estate projects.

The new offering of shares, at 13.9 per cent above the net asset value of $9.88, is partly paid, providing about $19m of cash now and the remainder of the $44.6m after a year.

Mr Adams said a dozen projects were expected to be considered by the fund's investment committee in the next six months.

Though Vietnam has long been thought to offer huge promise, the US embargo has severely hampered the country's development, despite the government's programme of market-oriented economic reforms.

However, President Clinton announced this month that he would remove a US block on Vietnam repaying its arrears to the International Monetary Fund, clearing the way for the IMF. World Bank and Asian Development Bank to resume lending.

Loan leak dampens Barito flotation hopes

William Keeling on the struggle to go public facing Indonesia's largest timber group

BARITO Pacific Timber may rue the day it decided to go public. In the last month, the company has suffered a spate of poor publicity, culminating in the withdrawal this week of Salomon Brothers, the US securities house, as the issue's lead *foreign co-ordinator.*

Looking to raise about $250m, its flotation – planned for October – would make Barito the second largest company on the Jakarta Stock Exchange, with a market value of about $2.5bn. It would allow investors a share in Indonesia's largest integrated timber *processor, accounting for 16* per cent of the world market in plywood.

The company says it made a gross profit of Rp231bn ($112m) last year on net sales of Rp769bn and forecasts a Rp547bn gross profit this year on substantially higher sales of Rp1,157bn. Its timber concessions, at over 5m hectares, make up an area greater than Switzerland.

Despite such bullish forecasts, the company has been forced on to the defensive following the leaking of a document, published in the local press and allegedly compiled by the government, listing its parent Barito Pacific Group as a large borrower from the state banks.

The Barito Pacific Group contains over 100 subsidiaries – ranging from timber to palm oil, petrochemicals to banking – in which Mr Prajogo Pangestu, chairman, is a shareholder. Executives estimate the group's 1992 turnover at about $2.5bn.

Mr Pangestu denies the group carries any unserviced *loans and says the state banks* have written letters confirming it is current on all debt. Colleagues of Mr Pangestu express disappointment that government officials have refused to deny the leaked document's authenticity.

However, poor publicity continued last week when Mr Pan*gestu was summoned to* parliament. He was asked to explain a deal, announced on July 7 but signed in February, in which Taspen, a state pension fund, took a 20 per cent stake in Barito Pacific Timber for Rp375bn.

The deal valued the company at Rp3,000 a share, compared to the anticipated Rp7,200 price at which the planned flotation is to be set. Barito says all procedures were correctly followed but the government has announced a review of the transaction.

The withdrawal of Salomon Brothers on Monday at the start of a two-week international roadshow has further hindered the company's ability to market its flotation.

Brokers say Indonesian regu*lations limiting disclosure* – including details of Mr Pangestu's majority shareholding in the company – may have resulted in Salomon having insufficient information to satisfy US regulatory authorities.

The flotation will proceed, stress officials close to Barito, who say Crosby Securities, *which specialises in Asian* markets, and Schroders, the UK investment bank, will replace Salomon as co-ordinator of the foreign placement.

Brokers say Bank Bumi Daya and Bapindo, two Indonesian state-owned banks, will back the issue and Barito's supporters argue that the company is coming to the market at an auspicious time, just as world timber prices are rising.

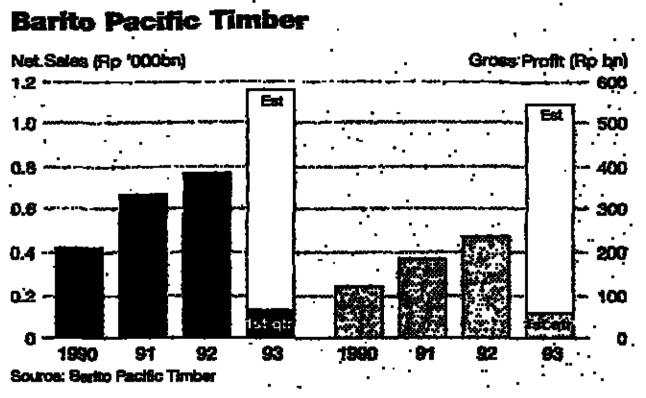
The world price of plywood and blockboard, Barito's main *products, has risen from about* $320 per cubic metre in January to $520 in the August spot market.

The company says 55 per cent of the funds raised by the flotation will be invested in a 500,000 tonnes a year pulp and paper mill in South Sumatra to be owned by Tanjung Enin *Lestari, in which Barito has* a 40 per cent stake.

Tanjung Enin Lestari is a joint-venture with Citra Lamtoro Gung, led by President Suharto's eldest daughter. The remaining funds will be split between developing industrial forest concessions and paying down Barito debt.

Barito's critics, however, say it will struggle to attract foreign investors and that the backing of international financial institutions is not secure.

Barito Pacific Timber



Source: Barito Pacific Timber

As one potential financial backer explained yesterday: "Items still need to be disclosed by Barito. We ... do not feel comfortable with the information provided on affiliated companies and the debt positions."

Barito Pacific Timber's debt was $584m at the end of 1992 but Mr Pangestu has declined to reveal the parent group's total borrowings on the grounds of banking secrecy. "I know exactly how big our loan exposure is but I cannot disclose this to the public," he said.

Some potential investors are concerned about Mr Pangestu's management style. Barito directors say they will provide prudent management. Mr Pangestu "has been in business long enough to know the importance of his management team and their opinions count", noted one executive.

The board, however, supported Mr Pangestu's request in January for a Rp150bn loan from Barito Pacific Timber to buy a stake in Astra International, Indonesia's largest automotive company.

Mr Pangestu has pledged his Astra shares as collateral and made a personal guarantee of repayment. The loan was "just like any other transaction that we have", explained a Barito director.

National Australia Bank in property tender plan

By Bruce Jacques in Sydney

NATIONAL Australia Bank, the Australian financial services group, plans a sealed bid tender programme to sell about A$143m (US$97m) worth of commercial and residential property.

Under the plan, the first time such a system has been used, the bank will offer for sale 41 properties throughout Australia, which it holds as mortgagee in possession.

If successful, the tender strategy may prove attractive to other major Australian banks which have combined problem property loans of more than A$10bn, although only some of these are held as mortgagee in possession.

The obvious advantage of the tender process to the NAB is an increased possibility of selling properties *en masse* rather than piecemeal. Mr Michael Johnstone, group manager of the NAB's property finance division, believes the process has advantages for potential buyers.

He said properties had appraised values varying between A$400,000 and A$16.2m, with estimated yields ranging from 13 to 21 per cent.

NZ fish farmer launches bid for rival

By Terry Hall in Wellington

SALMOND Smith Biolab yesterday launched a shares and cash NZ$28m (US$15.4m) takeover bid for rival New Zealand fish farmer, Regal Salmon.

The bid follows a fall in the Regal Salmon share price following a turnround in earnings from a NZ$2m profit last year to a NZ$3.3m loss in the year ended March.

Regal Salmon shares have fallen from a high of NZ$2.60 late last year to around 80 cents prior to the bid.

More foreign companies to delist from Tokyo SE

By Emiko Terazono in Tokyo

THREE foreign companies yesterday applied to delist from the Tokyo Stock Exchange's foreign section. The move is scheduled for October 30.

The three are Warner-Lambert and Bellsouth of the US, and Dixons of the UK. They will take the number of delistings since 1992 to 13, including General Motors of the US, Philips of the Netherlands and Royal Bank of Canada.

The three companies said high costs and administrative burdens were the main reason for ending their Tokyo presence.

The fall in trading activity has also become a concern for foreign companies, which have primarily listed in Tokyo to enhance their international profile.

Shares traded in Tokyo peaked in 1987 with a daily average of 2.76m shares traded: daily volume fell to some 200,000 shares this year.

Tokyo trading in foreign stocks started in 1973. The latest delistings will reduce the number of listed companies to 111, down from a peak of 127 in late 1991.

BankAmerica fails to keep up with sector gains

By Richard Waters in New York

BANKAMERICA, the second biggest US bank, saw only a slight improvement in second-quarter earnings compared with the first three months of the year.

The bank was held back by the slow economic recovery in California, its home market.

It recorded second-quarter net income of $488m, or $1.20 a share, compared with $484m, or $1.19, in the first three months.

In the second quarter of 1992 it returned post-tax profits of $240m, after restructuring charges following its merger with Security Pacific. Excluding non-recurring factors, net income in the second quarter of 1992 was $421m, or $1.19 a share, the company said.

The gains were less than those shown recently by other big US banks, which have generally seen a faster improvement in credit quality and bigger gains in trading revenues.


Richard Rosenberg: paying attention to bank costs

Mr Richard Rosenberg, chairman, called the figures "encouraging" and pointed to improved credit quality in its loan portfolio and "higher levels of customer activity in some market segments towards the end of the quarter".

He added that economic conditions, particularly in California, were likely to limit revenue growth, leading to greater attention to the bank's costs.

Net interest before provisions for credit losses of $200m (down from $235m in the first quarter and $240m a year ago) was $1.85bn, an increase of $9m over the first quarter.

By the end of June the bank held $996m of assets intended for sale, $890m less than three months ago largely as a result of a bulk sale of properties to a Morgan Stanley property fund.

Non-interest income fell by $31m during the quarter to $1.05bn, although this was more than accounted for by $38m of non-recurring gains in the earlier period.

Bankers Trust moves ahead to $251m as credit provisions fall

By Richard Waters

BANKERS Trust, the US bank which has become one of the leaders in the derivatives industry, reported net income for the second quarter of $251m, or $2.97 a share, a rise of a third on the $186m, or $2.16, a year ago.

A $52m fall in provisions for credit losses, to $23m, and a $30m rise in net revenue from equity investments largely accounted for the improvement.

Higher revenues from trading in financial markets were offset by a sharp rise in bonuses and other staff incentives and benefits, which were up by a half from a year before to $303m.

The quarterly result pushed return on equity at an annualised rate to nearly 25 per cent, from 23 per cent last time.

First-half net income of $406m (after an accounting change which led to a $75m charge) was up from $340m in the first half of 1992.

Net interest income – which includes trading-related gains associated with interest rate and currency arbitrage – rose 27 per cent to $319m. Non-interest revenues were up by 21 per cent to $832m, helped by a rise in trading profits from $335m to $405m.

The $30m rise in net revenue from equity investments was partly offset by other factors, including losses from the revaluation of non-trading currency positions, resulting in total additions to non-interest income of $70m against $37m a year earlier.

Mr Charles Sanford, chairman, said the figures demonstrated the consistency of earnings across the company.

Income drops 28% at Dow Chemical

By Karen Zagor in New York

DOW Chemical, the second biggest US chemicals group, yesterday unveiled a 28 per cent drop in second-quarter operating income. The decline reflected the poor performance of its personal care division and a large pre-tax charge at Marion Merrell Dow, the pharmaceuticals group which is 71 per cent owned by Dow.

Stripping out Dow's portion of the charge and other extraordinary items, the company earned $205m, or 75 cents a share, against $193m, or 71 cents a year earlier. Including one-time items, Dow net income was $149m, or 54 cents, in the latest quarter.

It blamed flat volume and a 1 per cent price decline for its weaker sales in the quarter, which fell to $4.82bn from $4.86bn in the 1992 period.

This month Dow said Marion Merrill would take charges to cover cost-cutting measures aimed at saving about $250m a year. The group has been hit by sliding sales of its Nicoderm smoking patch and the expiry of patents of its best-selling product.

Dow's consumer specialities business saw underlying operating income drop 9 per cent in the quarter on sales which fell 5 per cent. Including the Marion Merrell Dow charge, operating income for the business plunged 57 per cent.

Chemical and performance products posted a 29 per cent improvement in operating income to $110m on flat sales of $1.1bn. Plastics operations operating income rose 12 per cent on sales which eased 1 per cent to $1.7bn.

Hydrocarbons and energy had operating earnings of $5m in the quarter, against an operating loss of $48m, while sales rose 19 per cent to $454m.

For the first half, Dow had net income of $551m, or $2.01, compared with a loss of $394m, or $1.46. Last year's results included a charge of $765m for accounting changes.

Texaco doubles second-term profit

By Richard Waters

A RISE in natural gas prices in the US and a further improvement in refining and marketing margins enabled Texaco to double net profit in the second quarter compared with a depressed quarter last year.

But Mr Alfred McCrane, chairman, warned: "The international petroleum industry is faced with continuing uncertain world economic conditions, as well as the oversupply of crude oil," which has pushed oil prices down by $3 a barrel since May.

He added that attention to controlling costs and other operational improvements "will be particularly important in the forward period".

Post-tax profits reached $309m, or $1.10 a share, compared with $151m, or 49 cents, a year ago. First-half net income was up from $383m (before the effect of a $300m charge reflecting an accounting change) to $587m.

second-quarter operating profits of $419m, up from $294m, were bolstered by $163m from oil and gas exploration and production in the US, up from $112m on the back of natural gas prices which recovered from low 1992 levels.

Upstream activities abroad returned an operating profit of $82m, against $46m, after benefiting from higher production in the Middle East and Indonesia.

Refining and marketing operating profits fell from $77m to $63m in the US, reflecting "excess supplies of refined products" on the US east and Gulf coasts.

The international downstream operating result, aided by stronger margins in Latin America, rose from $61m to $120m. Petrochemicals suffered an operating loss of $7m (a $2m profit a year ago) due to higher feedstock and energy costs. Lower interest costs and cost-cutting reduced non-operating expenses by $53m to $210m.

● Higher natural gas prices also boosted Occidental Petroleum, pushing second-quarter net income to $75m, or 21 cents a share, up from $50m, or 16 cents, in the same period of 1992. Net income for the half year was $155m, against a loss of $87m last time when the company took a $93m charge for an accounting change.

Second-quarter operating profits from oil and gas of $130m, up from $79m, were boosted by $55m from a windfall tax refund and disposal of a stake in Trident NGL. In 1992, figures had been lifted by $35m from a litigation settlement.

The chemical division's operating profits rose to $60m from $35m, due to cost reductions and a $10m reversal of a provision to cover plant closures.

Delta maintains upward trend with $7.1m

By Martin Dickson in New York

DELTA Air Lines, one of the big three American carriers, yesterday underscored the improving trend of US airline profitability by reporting net income of $7.1m in its fourth quarter, compared with a $180m net loss in the same period of last year.

The figures, which translated into a loss per share of 41 cents, down from $3.72, came a day after American Airlines, the largest US carrier, and USAir also reported a return to profit after a prolonged recession in the industry and a fare war. The figures were better than most analysts had been expecting.

Mr Ronald Allen, chairman of Delta, said the group's financial performance in 1993 was "unacceptable", even though it represented an improvement on the previous year.

For the full year, Delta lost $369.7m, or $9.41 a share, against a loss of $506.3m, or $10.60, in 1992. Including the effect of accounting changes, it lost $1bn, or $22.32 a share, in 1993.

In the latest quarter, operating revenues totalled $3.13bn, up 11 per cent on the same period of 1992. Passenger revenue grew 10 per cent to $2.9bn, thanks to 5 per cent growth in traffic to 20.9bn revenue passenger miles and a 5 per cent improvement in the passenger mile yield (the average price paid by each passenger to fly one mile) to 13.86 cents.

Operating expenses totalled $3.07bn, down 0.6 per cent. Salaries rose less than 1 per cent, helped by a 6 per cent cut in staff numbers and a 5 per cent cut in the pay of many domestic staff.

Fuel expenses fell 1 per cent and maintenance costs 26 per cent.

The passenger load factor in the quarter rose to 62.15 per cent from 60.20 per cent a year ago, while the break-even load factor fell to 60.93 per cent from 66.29 per cent.

Solid growth for Schering-Plough

By Paul Abrahams

SCHERING-PLOUGH, the US healthcare group, reported second-quarter profits up 18 per cent from $184m to $213m. Turnover rose 10 per cent from $1.02bn to $1.12bn. Excluding changes in exchange rates, sales would have increased 11 per cent.

"Schering-Plough is performing extremely well, even as its US and international markets daily grow more challenging," said Mr Robert Luciano, chief executive and chairman.

"We expect solid growth in 1993 as Claritin continues to gain sales and market share in the US and as our most significant products progress internationally," he added.

The group's pharmaceuticals division reported sales up 12 per cent for the quarter. International turnover was particularly strong, up 18 per cent, while domestic sales rose 6 per cent. For the first six months turnover in the drugs division rose from $1.63bn to $1.81bn.

Intron A, a new treatment for hepatitis C, Claritin, a non-sedating anti-histamine, and Eulexin, a therapy for prostate cancer, all generated impressive growth, said the company. However, domestic sales of Proventil, a line of asthma products, fell, primarily because of generic competition.

Turnover at the Wesley-Jessen vision care business fell compared with the 1992 second quarter, due to lower sales of coloured contact lenses and the sale in May 1992 of its domestic contact lens solutions business.

The healthcare division, which includes over-the-counter products, sun-care and foot-care products, increased turnover 3 per cent.

Sales of sun-care products increased, but over-the-counter business fell due to the increasingly competitive environment for anti-fungal products.

For the first half, sales by the healthcare division dropped from $408m to $405m.

Blockbuster Entertainment advances 56%

By Karen Zagor

BLOCKBUSTER Entertainment, the acquisitive video rental company which owns the Cityvision chain in the UK, yesterday posted a 56 per cent rise in second-quarter net income to $47.7m, or 23 cents a share.

A year earlier, the Florida-based company reported net income of $30m, or 17 cents. Revenues, including those from franchise-owned video stores, climbed to $654.1m from $448.1m.

The improved performance was struck on the back of strong gains in video rental sales and a better contribution from its music business.

For the first half, Blockbuster earned $49.9m, or 43 cents on sales of $1.26bn, compared with $55.6m, or 31 cents, on revenues of $894.4m.

Blockbuster expanded aggressively in the second quarter, acquiring a 21.3 per cent stake in Discovery Zones, which owns and franchises children's fitness centres. UK.

In March, Blockbuster said it would acquire a 48.2 per cent stake of Spelling Entertainment Group, an entertainment conglomerate built up by Mr Aaron Spelling. In its earnings release, Blockbuster said it owned 63.5 per cent of Spelling Entertainment and about 37 per cent of Republic Pictures Corporation, another film production company.

Blockbuster is also acquiring the businesses of its two largest franchises.

Efficiency improvements help Maytag climb 12%

By Martin Dickson

MAYTAG, the US appliances group which owns Hoover Europe, reported a 12 per cent increase in second-quarter net income, helped by more efficient production in North America.

It reported net income of $21.3m, or 20 cents a share, compared with $18.9m, or 18 cents, in the same period of last year – in spite of a rise in its effective tax rate from 36 per cent to 41.6 per cent.

Sales totalled $753.3m, down 2.2 per cent, which the company said was due to currency conversion factors, the sale of its microwave oven business, and lower vending equipment sales.

Its North American appliance group had operating income of $53.1m, up 34 per cent. But the increase was due partly to depressed 1992 results because of plant start-up costs. Sales were up marginally at $568m.

Hoover Europe suffered an operating loss of $3.6m, down from $7.5m, while sales dropped 10.4 per cent, largely because of currency conversion factors.

In the first quarter, Maytag took a $30m charge to cover the costs of a Hoover travel promotion in the UK which backfired. First-half net income, including that charge, totalled $10.8m, compared with a $263m loss last year after accounting changes.

Sales volumes push Pfizer to 15% rise in quarter

By Richard Waters

PFIZER, the US pharmaceuticals group, recorded a 15 per cent rise in post-tax profits in the second quarter, to $253.8m. The result was attributed to higher sales volumes and a net gain of $27m from non-recurring items.

A 3 per cent increase in turnover from a year ago, to $1.75bn, was driven almost entirely by higher volume, with modest price rises largely offset by currency factors.

Earnings per share rose to 79 cents a share (73 cents excluding the net gain from the share sale), up from 66 cents a year ago.

First-half net income of $582.8m was ahead of the $234.6m of the first six months of 1992, which was struck after accounting changes reduced reported results by $283m.

● Pharmaceutical sales at Bristol-Myers Squibb fell 1 per cent during the second quarter compared with a year ago. The company blamed the drop on lower sales of its Capoten cardiovascular drug and government cost-containment measures in Germany and Italy.

However, sales of consumer healthcare products, medical devices and nutritional products all rose strongly, resulting in a 3 per cent growth in sales overall, to $2.8bn.

Net earnings rose to $520m, or $1.01 a share, up from $488m, or 92 cents a share, in the same period in 1992.

Abitibi-Price cuts deficit

By Robert Gibbens in Montreal

ABITIBI-Price cut its losses sharply in the second quarter, helped by firmer newsprint prices, a lower Canadian dollar and reduced operating costs.

Newsprint sales rose 17 per cent but uncoated groundwood papers were weak.

Net loss was C$18.2m (US$14.2m), or 27 cents a share, against a loss of C$37.5m, or 55 cents, a year earlier. Sales rose 19 per cent to C$493m.

The first-half loss was C$47m, or 69 cents, against a deficit of C$75.4m or C$1.11 a year ago, on sales of C$964m, up 21 per cent.

INTERNATIONAL CAPITAL MARKETS

Fresh rate cut hopes drive up most European prices

By Peter John in London and Patrick Harverson in New York

PRESSURE on the European exchange rate mechanism intensified yesterday, sending many government bond markets higher as hopes for rate cuts soared.

France took centre stage as the French central bank suspended its 5- to 10-day lending facility. Dealers said it also intervened in the money markets to support the currency.

GOVERNMENT BONDS

On the Matif, the Notionnel fell sharply during morning trading on growing economic uncertainty and the prospect of tighter monetary policy. The September contract was down 0.34 at its lowest, marking a fall of nearly one percentage point in the past two days.

Then, the Banque de France suspended its 7.75 per cent repo and replaced it with 24-hour funding at the same rate. There was some surprise that it did not raise rates as it did in January during the last bout of currency selling.

However, it sent a warning signal to the domestic banks, and the refusal to guarantee the level of lending for more than a day prompted a rise in a number of short-term rates. Two-year bond yields rose to reflect concern that short-term interest rates were on the turn.

All this was compounded by speculation that France was about to devalue the currency, effectively decoupling from the ERM. OAT futures bounced back sharply to close 0.18 higher at 119.92.

Mr Brian Hilliard, European economist with SGST said: "French bond futures bounced *on rumours that the franc* would be devalued and, although it seems unlikely, there is a battle royal in the making."

■ SPANISH government bond futures rose almost a full percentage point as a crumbling peseta led to a strong belief that the country would soon be *forced to cut interest rates.*

Unsupported by any central bank intervention, the peseta crashed through its central ERM rate of 79.1172 against the D-Mark to hit Pta80. Dealers scrambled into 10-year bonds futures partly to hedge against the currency and partly to pre-empt what they considered an essential rate cut. The September contract jumped 0.93 to 92.83.

■ GERMAN debt prices gained yesterday in spite of a host of *worrying economic data.* Bund futures closed 0.28 up at 96.15.

The Bundesbank had already said it was unwilling to cut rates if, as happened, monetary supply figures came in above central bank targets. Economists also expect a disappointing inflation figure when regional statistics begin to roll in either today or early next week.

If inflation has risen, there is no domestic justification to cut rates and it remains to be seen whether the central bank will step in nevertheless to relieve the ERM tension.

■ UK government bonds slipped in early trading ahead of last night's crucial vote on the Social Chapter of the Maastricht Treaty.

Although international sellers were seen at all points of the yield curve, the falls were overdone and a futures-led rally saw most maturities *claw back their losses* with the short- and medium-dated stocks showing a net gain by the close.

■ JAPANESE government bond prices fell on expectations of a boost in supply as Japan's finance ministry offered Y800bn of 10-year government bonds

The latest issue, which has a 4.5 per cent coupon, reopens the two tranches of the No 157 10-year bond to create a Y2,400bn issue likely to become the next benchmark bond. The current benchmark, the JGB No 145 saw the yield rise from 4.22 per cent at Thursday's close of dealing in London to 4.24 per cent last night.

■ US Treasury prices edged higher across the board yesterday morning after Mr Alan Greenspan, the Federal Reserve chairman, made encouraging noises about the *inflation outlook.*

By midday, the benchmark 30-year government bond was up $\frac{3}{32}$ at $106\frac{17}{32}$, yielding 6.616 per cent. At the short end of the market, the two-year note was also slightly firmer, up $\frac{1}{32}$ at $99\frac{31}{32}$, *to yield 4.124 per cent.*

Prices were firmer in early trading following a bullish jobless claim report, showing a 24,000 jump in the number claiming state unemployment insurance during the second week of July.

Although longer-dated securities later lost all their early gains and dropped into negative territory, they recovered by midday after Mr Greenspan told Congress he saw no signs of inflation increasing beyond longer-term market expectations, which themselves seem to be receding.

However, Mr Greenspan said long-term interest rates would rise significantly, hurting economic growth, if Congress failed to reach a credible budget deficit-reduction package.

He said long rates currently assumed the deficit would be cut. "If that view is frustrated, rates would go way back up *with clear negative consequences,*" he said.

FT FIXED INTEREST INDICES

	July 22	July 21	July 20	July 19	July 16	Year ago	High *	Low *
Govt Secs (UK)	97.97	98.03	98.32	98.23	98.31	89.19	98.46	93.28
Fixed Interest	117.11	117.18	117.13	117.15	116.97	105.78	117.18	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 117.18 (21/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 21	July 20	July 19	July 16	July 15
Gilt Edged Bargains	105.0	95.2	100.9	105.5	123.3
5-Day average	108.0	108.8	111.8	112.1	110.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	118.4433	-0.714	7.18	7.13	7.53
BELGIUM		9.000	03/03	112.8600	-0.730	7.11	7.06	7.17
CANADA *		7.500	12/03	101.8650	-0.785	7.24	7.12	7.37
DENMARK		8.000	05/03	105.8000	-0.250	7.18	7.02	7.00
FRANCE	BTAN	8.000	05/98	108.6746	-0.177	6.26	6.23	6.23
	OAT	8.500	04/03	112.1200	+0.220	6.78	6.79	6.81
GERMANY		6.750	04/03	101.4300	+0.220	6.54	6.53	6.71
ITALY		11.500	03/03	103.5100	-0.555	11.19†	11.11	11.52
JAPAN	No 119	4.800	06/99	103.8033	-	4.01	4.03	4.30
	No 145	5.500	03/02	107.9850	-0.137	4.24	4.30	4.46
NETHERLANDS		7.000	02/03	104.3300	+0.040	6.37	6.37	6.51
SPAIN		10.300	06/02	99.7005	-0.113	10.34	10.37	10.17
UK GILTS		7.250	03/98	101-26	+3/32	6.78	6.86	6.96
		8.000	06/03	103-13	+4/32	7.50	7.39	7.78
		9.000	10/08	109-29	-2/32	7.67	7.84	8.14
US TREASURY *		6.250	02/03	100-18	-28/32	6.17	5.70	5.89
		7.125	02/23	106-13	-17/32	6.63	6.58	6.76
ECU (French Govt)		8.000	04/03	104.5200	-0.300	7.33	7.24	7.13

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Banks, brokers criticise Japanese futures controls

By Emiko Terazono in Tokyo

A GROUP of international and domestic financial institutions has criticised Japan's financial watchdogs for their heavy regulation of stock market futures, which were widely blamed in Japan for the 1991 stock market crash.

Leading brokers and banks in Tokyo, including SG Warburg Securities, Salomon Brothers and Long Term Credit Bank, claim the implementation of restrictions on stock futures trading had reduced liquidity in the futures market and increased volatility on the cash market.

Their forum, the Committee to Make Tokyo Financial Markets More Transparent and International (CTTI), says in a report tight regulations are responsible for undermining Tokyo's credibility as an international financial centre.

It says regulation has led to an increasing number of investors shifting stock futures trades to overseas markets, including the Singapore International Monetary Exchange (Simex).

Nikkei 225 index futures trading, along with arbitrage trading against the underlying cash stock market, has been blamed for violent price movements in the cash market, driving ordinary investors away. To reduce trading volume on the futures market, the financial authorities raised margin requirements and commission over the past two years.

The Bank of Japan has also challenged the notion that the *weakness of the cash market* was triggered by futures transactions. In a report released earlier this year, the Bank of Japan noted the lack of evidence that futures price movements exaggerated price fluctuations on the cash market.

The ministry of finance and the Tokyo and Osaka stock exchanges are now working on *a new capitalisation-weighted* index to replace the Nikkei 225. The Nikkei, as a simple price average of 225 stocks, is seen as easily manipulated.

The new index, expected to be introduced in October, is likely to represent 350 stocks rather than the current 225. Some traders speculate that the index may be weighted by trading volume or the level of free-floating shares, rather than according to full market capitalisation. This is because a bulk of the shares are held in cross shareholdings.

While the forum agreed the new index may alleviate some problems – such as the impact of arbitrage trading on the prices of specific low-liquidity *stocks – it could not see it* instantly resolving other difficulties, such as continued low turnover on the cash market or the fall in share prices.

For the cash stock market to regain its health, the committee urged that rather than regulating the futures market, authorities should further deregulate high-fixed commissions on stock transactions, cut the stock transfer tax, and replace the illiquid index.

Attractive swap conditions spur $300m in FRN issues

By Sara Webb

COLLARED floating-rate notes were the flavour of the international bond market yesterday, *as two borrowers – CSFB* Finance and Commerzbank – launched substantial new issues while a third, San Paolo, decided to increase its recently-launched deal.

INTERNATIONAL BONDS

Dealers said attractive swap conditions yesterday prompted borrowers to go for collared FRNs. Meanwhile, investor demand remains healthy because the minimum coupons mean investors receive a fairly generous pick-up over short-term dollar interest rates.

CSFB Finance launched a $150m, 10-year collared FRN with a coupon of six-month *Libor minus 12.5 basis points.* The floor was set at 5.5 per cent and the cap at 9.5 per cent.

CSFB, lead manager for the deal, reported *strong demand* for the bonds. It said the price rose from 99.875 at issue to 100.75 by late afternoon. Market participants agreed the deal went well, pointing out that retail investors in Switzerland and the Benelux countries were familiar with the borrower's name.

One US house said the appeal of the deal *lay* in its high cap, relatively high floor, and its below-par pricing.

The market has seen a steady flow of collared FRN deals since last summer, with the most recent issues gener*ally having a 12-year maturity,* a floor of 5 per cent and cap of 8 per cent.

Commerzbank launched a $150m, 12-year collared FRN late in the day, *setting* the coupon at Libor minus 25 basis points with a floor of 5.25 per cent and a cap of 8 per cent.

Meanwhile, San Paolo increased the size of its 10-year collared FRN deal by $50m to $200m in response to strong investor demand.

Activity in other sectors of the international bond market was muted given the approach of the holiday season and further bouts of turbulence in the European exchange rate mechanism. There was some speculation that LKB Baden-Württemberg was preparing to launch a £250m, five-year deal.

● Crédit Lyonnais, the French state-controlled bank, has placed $350m in preference shares with US institutional investors, AP-DJ reports. The shares were issued by Crédit Lyonnais Capital, registered in Luxembourg, and are considered to be a minority stake.

The preference shares have a nominal yield of 9.5 per cent, with a quarterly dividend guaranteed by Crédit Lyonnais. *They are perpetual* but can be reimbursed in 10 years.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Commerzbank O'seas Finance‡	150	(a)	99.75R	Aug.2005	0.5R	-	Kidder Peabody Intl.
CSFB Finance (Neths.)‡	150	(b)	99.875R	Aug.2003	0.5R	-	CSFB
Banco Internacional, Cayman	100	8.75#	99.801R	Aug.1998	0.875R	+360(5½%-98)	Bankers Trust Intl.
San Paolo (Nassau)(c)‡	50	(c)	(c)	Jul.2003	0.5	-	Kidder Peabody Intl.
YEN							
Mitsubishi Corp. Finance	12bn	3.55	100.15	Nov.1995	0.15	-	Mitsubishi Finance Intl.
ITALIAN LIRA							
Intl. Finance Corp.(d)‡	50bn	(d)	100.45	Aug.1998	0.25	-	San Paolo, Turin
DANISH KRONE							
Finance for Danish Industry	350	7	99.27R	Aug.1998	0.25R	-	Morgan Stanley Intl.
SWISS FRANCS							
Treasury Corp. of Victoria	150	4.75	102	Aug.2001	-	-	UBS
DSL Bank	100	4.25	102.25	Aug.1998	-	-	Zürcher Kantonalbank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.25%; minimum 5.25%, maximum 8%. b) Coupon pays 6-month Libor - 0.125%; minimum 5.5%, maximum 9.5%. c) Issue launched on 25/6/93 was increased to L200bn. Coupon pays 6-month Libor - 0.1875%; minimum 6%, maximum 10%. Price undisclosed. d) Issue launched on Wednesday was increased to L200bn. Coupon pays 3-month Libor - 0.3%.

China names bond dealers

CHINA has appointed 19 banks and securities underwriters to be the country's first treasury bond primary dealers, Reuter reports from Beijing.

The move formalises a system which officials hope will eventually dominate government bond issuance in China and is part of a key reform to eliminate the forced sale of treasury bonds.

The 19 firms, led by the Industrial and Commercial Bank of China, will be the primary marketers of this year's Yn2bn issue of treasury bonds.

The issue, part of this year's overall Yn30bn of treasury issues, marks an advance in China's efforts to develop Western-style controls over its rapidly-evolving financial system.

Officials said primary dealers would be obliged to "maintain normal operations" in the still-informal *secondary market* by increasing liquidity.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 22

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN $9\frac{1}{8}$ 94	200	$104\frac{3}{4}$	105	$-\frac{1}{4}$	4.28
AlbertaProvince $9\frac{3}{8}$ 95	600	$109\frac{5}{8}$	110	$-\frac{1}{8}$	4.76
Austria $8\frac{1}{2}$ 00	400	114	$114\frac{3}{8}$	$-\frac{3}{8}$	5.84
Bank of Tokyo $8\frac{3}{8}$ 96	100	$107\frac{3}{8}$	$108\frac{1}{4}$	$-\frac{1}{8}$	5.25
Belgium $9\frac{5}{8}$ 98	250	117	$117\frac{3}{8}$	$-\frac{3}{8}$	5.61
BFCE $7\frac{3}{4}$ 97	150	$108\frac{1}{8}$	$108\frac{3}{8}$	$-\frac{1}{8}$	5.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed $7\frac{1}{2}$ 95 LFr	600	100	101		7.50
Genfinance Lux $9\frac{1}{8}$ 99 LFr	1000	$107\frac{3}{4}$		$-1\frac{1}{8}$	7.51
World Bank 8 96 LFr	1000	101	102	-1	7.58
Bank Voor Ned Gem $7\frac{5}{8}$ 02 Fl	1000	$104\frac{3}{4}$	$105\frac{1}{4}$	$-\frac{5}{8}$	6.91
Energie Beheer $8\frac{1}{4}$ 98 Fl	500	$110\frac{1}{4}$	$110\frac{1}{4}$		6.40
AlbertaProvince $10\frac{5}{8}$ 96 C$	500	109	$109\frac{3}{4}$	$-\frac{5}{8}$	6.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	41	11	27
Other Fixed Interest	5	7	3
Commercial, Industrial	231	241	939
Financial & Property	131	89	579
Oil & Gas	27	11	45
Plantations	0	1	7
Mines	11	56	70
Others	36	43	72
Totals	482	459	1,742

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	-	132	120	AS Holdings	128		R5.25	1.9	5.1	11.6
100	F.P.	-	107	78	Anagen	79	-6	-	-	-	-
339	F.P.	-	356	356	Baring Chrysalis C	356		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
123	Nil	27/8	38pm	33pm	ACT	$36\frac{1}{2}$pm	-1
60	Nil	6/8	3pm	2pm	Alexon	$2\frac{1}{2}$pm	
140	Nil	26/8	94pm	82pm	Bank of Ireland	90pm	-2
152	Nil	23/8	18pm	7pm	Cranswick	7pm	
345	Nil	1/9	52pm	33pm	Frogmore	52pm	
150	Nil	13/8	38pm	14pm	Gt Portland Ests	39pm	
30	Nil	18/8	9pm	4pm	Moran Hldgs	8pm	
5	Nil	9/8	$1\frac{1}{2}$pm	1pm	Premier Land	$1\frac{1}{4}$pm	$+\frac{1}{4}$
210	Nil	1/9	53pm	45pm	Smith New Court	49pm	+4
$8\frac{1}{2}$	Nil	13/8	5pm	1pm	Sutcliffe Speakman	$4\frac{1}{4}$pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

● First Dealings July 12
● Last Dealings July 23
● Last Declarations Oct. 14
● For settlement Oct. 25

3-month call rate indications are shown in Saturday editions.

Calls in Argyll Group, Ascot, Bredero Props., Clyde Petrlm., Emess, Intl. Bus. Comms., JF Fledgeling Japan, Medeva, Wates City of London and Wilshaw. Puts in Midland & Scot. Res. and UniChem. Doubles in Hanson warrants, Medeva and Regalian Props.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	47	60	$69\frac{1}{2}$	1	$8\frac{1}{2}$	14
(*544)	550	$4\frac{1}{2}$	27	$37\frac{1}{2}$	$10\frac{1}{2}$	25	$34\frac{1}{2}$
Argyll	280	12	25	$30\frac{1}{2}$	$1\frac{1}{2}$	$9\frac{1}{2}$	16
(*291)	300	2	15	$20\frac{1}{2}$	12	$20\frac{1}{2}$	$26\frac{1}{2}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero	390	21	45	59	13	36	$44\frac{1}{2}$
(*396)	420	$7\frac{1}{2}$	32	45	32	$52\frac{1}{2}$	61
BAT Inds	425	23	$32\frac{1}{2}$	45	$7\frac{1}{2}$	$16\frac{1}{2}$	$21\frac{1}{2}$
(*444)	450	6	21	$30\frac{1}{2}$	21	$29\frac{1}{2}$	34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	390	36	55	-	18	32	-
(*405)	420	21	$39\frac{1}{2}$	-	34	$48\frac{1}{2}$	-
Glaxo	500	$47\frac{1}{2}$	$58\frac{1}{2}$	-	11	27	-
(*531)	550	$20\frac{1}{2}$	33	-	35	55	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Oct	Calls Feb	Puts Aug	Puts Oct	Puts Feb
Grand Met	390	$9\frac{1}{2}$	$27\frac{1}{2}$	37	$3\frac{1}{2}$	$18\frac{1}{2}$	27
(*396)	420	1	14	$24\frac{1}{2}$	26	33	$44\frac{1}{2}$
Ladbroke	160	$21\frac{1}{2}$	$26\frac{1}{2}$	29	1	$5\frac{1}{2}$	9
(*179)	180	$3\frac{1}{2}$	13	$17\frac{1}{2}$	4	$14\frac{1}{2}$	$18\frac{1}{2}$
Utd Biscuits	360	$8\frac{1}{2}$	$25\frac{1}{2}$	34	8	19	30
(*380)	390	1	$12\frac{1}{2}$	22	$31\frac{1}{2}$	$37\frac{1}{2}$	$48\frac{1}{2}$

Option		Calls Jul	Calls Oct	Calls Dec	Puts Jul	Puts Oct	Puts Dec
Fisons	160	5	$15\frac{1}{2}$	18	$3\frac{1}{2}$	$11\frac{1}{2}$	16
(*161)	180	1	7	$9\frac{1}{2}$	$20\frac{1}{2}$	$24\frac{1}{2}$	29

Option		Calls			Puts		
Amstrad	30	4	$5\frac{1}{2}$	$6\frac{1}{2}$	2	3	$3\frac{1}{2}$
(*32)	35	2	$3\frac{1}{2}$	$4\frac{1}{2}$	$4\frac{1}{2}$	$5\frac{1}{2}$	$6\frac{1}{2}$
Barclays	460	23	36	$44\frac{1}{2}$	$14\frac{1}{2}$	23	$29\frac{1}{2}$
(*471)	500	6	18	26	$41\frac{1}{2}$	47	53
Blue Circle	240	14	21	27	$10\frac{1}{2}$	18	22
(*241)	260	6	$12\frac{1}{2}$	18	$23\frac{1}{2}$	31	34
British Gas	280	19	23	$27\frac{1}{2}$	$4\frac{1}{2}$	$11\frac{1}{2}$	$15\frac{1}{2}$
(*291)	300	$7\frac{1}{2}$	12	18	14	$22\frac{1}{2}$	26
Dixons	280	1	7	12	73	47	49
(*208)	300	1	4	$7\frac{1}{2}$	93	64	$65\frac{1}{2}$

PUTS								
Aug	16	30	57	92	136	186	236	286
Sep	30	47	72	104	142	187	237	287
Oct	43	-	-	-	-	-	-	-
Nov	-	83	-	-	-	-	-	-
Dec	-	93	-	-	-	-	-	-

July 22 Total Contracts 20,328
Calls 11,955 Puts 8,373
FT-SE Index Calls 1,762 Puts 1,385
Euro FT-SE Calls 235 Puts 470
*Underlying security price. † Long dated expiry mths. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu Jul 22	Day's change %	Wed Jul 21	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.66	+0.03	127.63	1.61	6.63
2	5-15 years (23)	150.21	+0.08	150.09	1.84	7.67
3	Over 15 years (9)	164.34	-0.07	164.46	1.16	7.18
4	Irredeemables (6)	188.98	+0.13	188.73	2.08	7.35
5	All stocks (63)	146.17	+0.03	146.12	1.66	7.31
	Index-Linked					
6	Up to 5 years (2)	186.28	+0.01	186.24	1.47	1.82
7	Over 5 years (11)	176.74	+0.05	176.64	0.43	3.20
8	All stocks (13)	176.91	+0.05	176.82	0.55	3.05
9	Debs & Loans (65)	135.09	-0.11	135.24	2.70	5.75

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 22	Wed Jul 21	Year ago (approx.)
	British Government				
1	Low	5 years	6.87	6.87	8.33
2	Coupons	15 years	7.77	7.77	8.75
3	(0%-7¾%)	20 years	7.90	7.90	8.75
4	Medium	5 years	7.05	7.05	9.25
5	Coupons	15 years	7.87	7.87	8.95
6	(8%-10¾%)	20 years	7.96	7.95	8.91
7	High	5 years	7.25	7.28	9.48
8	Coupons	15 years	8.13	8.13	9.12
9	(11%-)	20 years	8.15	8.16	9.04
10	Irredeemables(Flat Yield)		8.02	8.03	9.03
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.83	2.82	4.17
12	Inflation rate 5%	Over 5 yrs.	3.44	3.44	4.48
13	Inflation rate 10%	Up to 5 yrs.	2.02	2.01	3.40
14	Inflation rate 10%	Over 5 yrs.	3.25	3.25	4.29
15	Debs &	5 years	8.56	8.49	10.54
16	Loans	15 years	8.84	8.81	10.31
17		25 years	8.97	8.96	10.17

Strong growth in Pru's single premium sales

By Richard Lapper

PRUDENTIAL, the UK's largest life insurance company, reported strong growth in single premium sales in the first six months of 1993 and a 5 per cent reduction in income from annual premiums.

The figures provide further evidence of growing interest among savers in life insurance products as interest rates fall, but consumers are still reluctant to enter long-term regular financial commitments because of concerns about job security.

Worldwide single premiums increased by 40 per cent to £2.89m, with annual premium income down to £266m. Overall new business grew by 14 per cent (based on annual premiums plus 10 per cent of single premiums).

In the UK single premiums rose by more than a third to £1.43bn, mainly as a result of the continued popularity of the with profits Prudence Bond and strong sales of corporate pensions. Annual premiums fell by 11 per cent to £153m following an expected decline in the sale of industrial branch (or cash collection) policies. Ordinary branch business remained unchanged at £143m.

Single premium for corporate pensions increased by 28 per cent to £309m while annual premiums rose by 24 per cent to £31m. Single premium growth reflected strong sales of immediate annuities and transfers from other group schemes.

Prudential's international operations produced strong results, with sales of single premiums by Jackson National Life rising by 11 per cent to $1.1bn (£730m).

See Lex

William Hill subject of 'serious' approaches

By Maggie Urry

BRENT WALKER, the pubs, betting and property group, has had a number of serious approaches for its William Hill subsidiary since it emerged that SG Warburg had put together a £360m consortium bid for the betting shop chain.

The approaches, which could involve taking an equity stake in William Hill rather than a complete takeover, value the business at significantly more than the consortium bid.

It is also understood that one of the equity investors lined up by Warburg is unwilling to participate if the bid is regarded by Brent Walker as hostile.

Brent Walker also announced that it had sold the Golden Horseshoe Casino in London for £6.1m, of which £5.9m was paid into Brent Walker's bank yesterday afternoon after the change of ownership was approved by magistrates in the morning. The buyer was City Clubs, a private casino operator.

Sir Keith Bright, chairman, is understood to be considering all possibilities for William Hill, which is ring-fenced from Brent Walker and has its own syndicate of banks owed a total of £350m.

That loan has to be refinanced by March 1 1994.

The options range from persuading the existing lenders to continue with the debt to a flotation.

Some analysts estimate that a full flotation of William Hill could raise £500m. However, they acknowledge that there would have to be a discount on that if Brent Walker retained a large stake.

One analyst said a flotation would be a "non-starter" if Brent Walker kept more than 50 per cent.

Brent Walker is keen to retain an investment in William Hill so that any rise in its value benefits Brent Walker's creditors.

Sir Keith is expected to tell shareholders at next week's annual meeting that trading results from William Hill have improved, despite the Grand National fiasco, with evening opening bringing a significant increase in turnover.

Trevor Humphries

Animal rights supporters mount a demonstration outside the Queen Elizabeth II Conference Centre, in an attempt to disrupt the Boots annual meeting yesterday

Campaigners put the boot in

ANIMAL rights campaigners caused uproar at Boots' annual general meeting in London yesterday.

They were complaining about the use of animals in testing the Manoplax heart drug – withdrawn from circulation on Monday – and other products.

Sir Christopher Benson, chairman, struggled to control the meeting as several shareholders who were animal rights supporters demanded to know how much the company had spent on testing Manoplax on animals, and how many had been involved.

One protester demanded that Boots withdraw from the pharmaceuticals business in view of the suffering it caused to animals. Another demanded an apology to the families of patients who had died presumably as a result of taking Manoplax.

Security guards had to be summoned at one point to keep order.

Sir James Blyth, chief executive, said that about 90 per cent of the £100m development cost of Manoplax had been spent on testing on humans, with only a "tiny proportion" spent on animal testing.

Lex forms joint venture to import Hyundai cars

By John Griffiths and Paul Taylor

LEX SERVICE, the UK's largest car distribution and leasing company, is re-entering the car import business by acquiring a controlling interest in a joint venture company which will be responsible for importing, distributing and marketing Hyundai cars and parts in the UK.

Under the terms of the deal, Lex will acquire a 50.1 per cent stake in Hyundai Car (UK), a new joint venture company with IM Group, which will have an exclusive rolling three-year contract to import Hyundai cars from the start of September.

IM Group, run by Mr Bob Edmiston, is the largest private motor import business in the UK, and has held the Hyundai import franchise since 1982. Last year, on a pro-forma basis, the Hyundai importership reported a £4m profit before interest and tax.

The joint venture will be funded by a cash payment of about £2m from Lex to IM Group – roughly equal to the net assets of the business being acquired – and bank loans of £7m to replace existing inter-company loans.

IM Group and Lex will have put and call options respectively over IM Group's share of the business, exercisable at the end of 1997 with a £22m ceiling on the value of any payment.

The deal will re-establish Lex as a car importer following the decision of Volvo, the Swedish car maker, to end its exclusive UK import agreement with Lex last year, four years early.

Sir Trevor Chinn, Lex chairman, said yesterday, "The acquisition of the Hyundai importership is a significant step towards Lex's ambition of being the leader in automotive distribution and leasing".

Hyundai Motor, South Korea's largest single manufacturing entity with 40,000 employees, is undergoing turbulent times. It has been in the front line of nearly two months of strikes over pay and conditions which have affected the whole of the shipbuilding and aerospace conglomerate.

Despite these problems, widely regarded as short term, Hyundai has come to be recognised by its motor industry rivals as potentially one of the more dynamic emerging forces in world car markets.

It sold 110,000 cars in 13 European countries last year, making Europe its biggest export market. The marque was first introduced in the UK in 1982, when IM Group sold some 3,000 cars. Sales peaked in 1988 at 11,365, and held at about 10,000 units last year despite a 30 per cent fall in the new car market since 1989.

TSB fails to agree terms over estate agency chain

By John Gapper

AN ATTEMPT by TSB Group to establish a company with National & Provincial Building Society to buy and manage its chain of 133 estate agencies has fallen through after the two organisations failed to agree a price for the network.

TSB Group and National & Provincial announced yesterday that "differences of opinion on the value of the businesses" had led to the heads of agreement signed in April being terminated after negotiations revealed differences.

TSB is thought to have asked for about £10m for the estate agency chain, which it hoped would eventually be sold to local managers as groups of businesses. It said it did not think the price offered would have given value to shareholders.

Mr Alastair Lyons, National & Provincial's finance director, said the two sides had been "unable to come to a meeting of minds" as to the value of the estate agents after the society had approach the bank with the proposal.

TSB said it intended to continue to manage the chain, which made a £6m loss last year. The bank hopes that it would return to operating break-even this year as the number of transactions in the housing market rises.

Mr Lyons said the society would press on with its strategy of trying to acquire minority stakes in local chains of estate agents in order to be able to sell products through them. It had hoped the TSB purchase would follow this pattern.

TSB has been trying to sell businesses that it does not think contribute to its core retail banking franchise.

Caverdale back in the black with £663,000

CAVERDALE Group, the motor retailing and industrial consumables group, returned to profit in the first half of 1993 with all its companies making a strong contribution.

Including a contribution from acquisitions of £7.86m, group turnover increased to £21.6m against £4.77m, and operating profit came out at £803,000, including acquisitions of £210,000, compared with a loss of £170,000.

At the pre-tax level the profit was £663,000, compared with a loss of £272,000 for the comparable period and a loss of £950,000 for the whole of 1992.

Mr Arild Nerdrum, chairman, said Dunham & Haines, acquired in September 1992, achieved a rapid recovery and was making a significant contribution to group profit.

There was a strong first-time contribution from Motobaldet, a Citroën dealer, and improved profitability in industrial consumables.

Mr Nerdrum said that the company would soon technically be in a position to resume dividends.

"In view of the results achieved and given the current indications of good trading prospects in August for our motor dealerships, I have every confidence that an early return to the dividend list is realistic".

TeleWest raises £190m to expand its networks

By Raymond Snoddy

TELEWEST, the UK's largest cable television operator with 3m homes under franchise, has raised a £190m loan facility to build its networks.

The deal is believed to be the largest individual loan raised for the UK cable industry and is a clear indication of the renewed interest in the UK industry by the financial community.

TeleWest – a joint venture between TCI of Denver, the world's largest cable operator, and US West, the American telephone company – will use the money to press ahead building cable networks in south London and in the Bristol and Bath area.

The company already provides a cable television service to nearly 160,000 customers and has 101,000 telephone lines in service.

Mr Ed Mattix, of TeleWest, said yesterday that cable was now very much a combined television and telephone operation. "The financial institutions are very interested in the business [in the UK] and are as positive about its future as we are," he added.

The Toronto-Dominion Bank was the lead arranger of the eight and a half year loan, which is fully underwritten. The co-arrangers were the Bank of Boston, the Bank of Nova Scotia, Barclays, CIBC and SBC.

Another large financing – £160m for the Jones Cable Group – is believed to be near completion put together by County NatWest.

Mr Richard Woollam, managing director of the Cable Television Association, the industry trade body, said yesterday: "I think people are starting to wake up to what is going on in the cable industry."

By the beginning of June there were 465,000 cable subscribers and 2.5m homes were passed by cable networks giving a penetration rate, or ratio of subscribers to those who could subscribe, of 21 per cent.

IDV joint venture in Barbados

By Philip Rawstorne

International Distillers & Vintners, Grand Metropolitan's drinks division, is forming a joint venture with Hanschell Inniss, a Barbados-based wines and spirits distributor.

The partnership will distribute brands of both companies in eastern Caribbean markets.

IDV will also acquire a 50 per cent interest in the Cockspur rum trademark from Hanschell Inniss and, in co-operation with the company, manage the international development of the brand.

Mr Howard Smith, president of IDV Africa and Latin America, said yesterday: "The new partnership will greatly increase the focus on IDV's brands and accelerate the pace of their development".

Johnson Matthey scheme pays 458.08p per share

By Catherine Milton

SHAREHOLDERS who took the cash alternative to Johnson Matthey's enhanced scrip dividend scheme will receive 458.08p per share under a new type of auction conducted by BZW Securities.

A total of 377,475 of the precious metals group's shares were auctioned to institutions for a strike price of 459p, a 6p premium to the reference price of 453p on which the scrip value was determined. BZW had previously promised shareholders a "floor" of 98 per cent of the reference price.

However, yesterday it also gave shareholders the benefit of "best execution", under which it passed on the benefit of any premium on the share price over the floor. Shareholders thus received 101.32 per cent of the reference price, minus BZW's commission.

BZW said the value of its cash offer was 10.77p per share, compared with the enhanced scrip dividend of 10.65p and the ordinary of 7.1p.

Johnson Matthey's shares closed at 460p, up 7p.

Mr Michael Perry, BZW assistant director, said: "It has been very positively received. We had a comfortable volume of applications. It is a simple and efficient process which benefited shareholders."

First Technology keeps up recovery momentum

By Andrew Bolger

FIRST TECHNOLOGY, which supplies crash dummies and safety sensors to the car industry, continued its rehabilitation by reporting a sharp increase in profits and returning to the dividend list.

Mr Fred Westlake, executive chairman, said he would have liked to have paid more than the "stingy" 1p dividend announced, but had been constrained by the terms of the capital reorganisation which was approved in February.

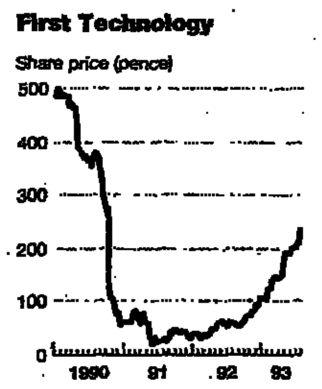
Pre-tax profits rose to £2.34m in the year to April 30, compared with £639,000. However, under FRS 3, last year's figure becomes a loss of £685,000 because of the inclusion of an extraordinary charge of £1.32m on the closure and disposal of businesses.

Group sales fell from £27.8m to £25.9m, although turnover from continuing businesses increased by 22 per cent. Net borrowings fell from £6m to £3.2m and gearing now stands at 51 per cent.

Having got out of vehicle design, Mr Westlake said he was happy to focus on dummies and car sensors, which had strong growth prospects over the next couple of years.

The automotive electronics division, which supplies sensors, increased sales by 32 per cent in spite of difficult trading conditions in the group's principal North American and European markets.

During the year it won contracts to supply fuel cut-off sensors to Fiat and Honda.



Source: FT Graphite

Earnings per share were 10.75p, compared with 2.4p or a restated loss of 5.88p.

● COMMENT

The figures were slightly ahead of expectations and should not impede the steady recovery in the group's shares, which yesterday closed unchanged at 233p. The collapse in the share price from 500p in 1990 to 20p a mere 18 months later, has left a lot of scars, but the slimmed-down group now seems both determined and obliged to proceed cautiously. It has strong market positions, even if increasing legislation does heighten the competitive threat from other sensor suppliers. Gearing should reduce further, although the sharp fall last year mainly reflected tax benefits. Forecast profits of about £3.7m put the shares on a prospective multiple of 14, a slight discount to the market. That does not seem expensive, given the group's confidence about orders, particularly from Japan and other parts of the Far East, such as Korea.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bullough ......int	1.75	Sept 15	1.75	-	6.05
Contra-Cyclical ......int	2.25☆	Aug 31	2.25	-	12.75
First Tech ......fin	1	Oct 8	nil	1	nil
Fleming Entprise......fin	3.4	Oct 7	3.2	4.7	4.5
Geared Income ......int	1.5☆	Aug 27	1.5	-	7.875
Hill & Smith ......int	2.1	Sept 24	1.9688*	-	5.625*
Holders Tech § ......int	2	Sept 13	2	-	6
Rights & Issues ......int	2.4	Sept 30	2.3	-	8.3
Throgmorton Tst ......int	0.9	Aug 30	0.9	-	2.3
Tinsley (Eliza)§ ......fin	3.65	Oct 1	3.4	5.45	5.2
Witan Inv ......int	2.7	Sept 10	2.7	-	5.6
YRM ......fin	nil	-	2.35	0.5	4

Dividends shown pence per share net except where otherwise stated. §USM stock.
*Equivalent after allowing for scrip issue. ☆ First interim.

NEWS DIGEST

Holders Technology 27% ahead

HOLDERS Technology, a supplier of tools, materials and equipment to the printed circuit board industry, achieved a 27 per cent improvement in pre-tax profits to £251,000 for the half year ended May 31.

Turnover of the USM-quoted company rose from £1.65m to £1.99m. Earnings increased to 5.39p (4.23p) and the interim dividend is 2p (same).

The shares advanced 4p to 132p.

Contra-Cyclical

Contra-Cyclical Investment Trust reported net assets of 47.8p per capital share as at June 30, up from 35.8p a year earlier.

Figures per income share were 4.9p (3.7p) and per zero dividend preference share 64.1p (57.4p).

Net revenue for the three months to end-June was £249,071 (£269,289) for earnings of 3.1p (3.4p) per income share.

The first interim dividend is maintained at 2.25p.

Geared Income

At June 30 net asset value per share of Geared Income Investment Trust stood at 86.1p, a 8 per cent increase on the 79.49p at which it stood a year earlier.

Net revenue for the three months to end-June amounted to £358,732 (£326,367). Earnings per share came out at 1.63p (1.48p) and the first interim dividend is again 1.5p.

Abtrust Preferred

Net asset value per ordinary income share of Abtrust Preferred Income Investment Trust stood at 39.77p at the May 31 year end.

That compared with 71.55p six months earlier and with 82.38p at the previous year end.

Net revenue amounted to £1.57m, against £1.29m for the previous 13-month period. Earnings per share came out at 13.61p (14.33p).

Fleming Enterprise

At the June 30 1993 year end the net asset value per share of Fleming Enterprise Investment Trust stood at 199.96p, against 170.7p six months earlier and 163.2p a year ago.

Net revenue was £1.99m (£1.78m) for earnings per share of 4.99p (4.46p).

The final dividend is 3.4p for a total of 4.7p (4.5p).

Rights & Issues

The split-capital Rights & Issues Investment Trust had net asset values of 452.2p per capital share and 122.7p per income share at June 30.

The figures compared with respective values of 386.3p and 108.7p a year earlier.

Net revenue for the six months to end-June was £136,535 (£132,107).

The interim dividend goes up to 2.4p (2.3p).

Defence document says bid substantially undervalues company

Watts Blake shuns Sibelco offer

By Andrew Taylor, Construction Correspondent

WATTS BLAKE Bearne, the world's biggest supplier of ball clay to the ceramics industry, yesterday published its defence document recommending shareholders to reject the £87m bid for the company from Sibelco.

The company said that the offer price of 420p a share substantially undervalued the group, which was expected to increase pre-tax profits by almost a fifth this year to not less than £8.6m (£7.25m).

The total dividend was forecast to rise in 1993 by 12 per cent to 12p.

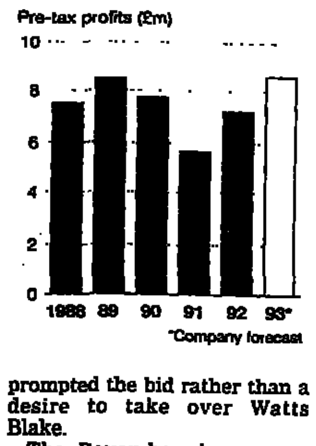
Sibelco, a Belgian producer of silica sand for the glass industry, effectively controls 45.2 per cent of the company's shares having agreed to acquire the combined stakes of Ceramics Holdings, controlled by the Lebanese Gargour family, and Quarzwerke, a privately-owned German silica sand producer.

Sibelco previously was a member of a concert party with Ceramics Holdings and Quarzwerke. This arrangement ended earlier this year when the Gargour family decided to sell its Watts Blake shares.

Mr John Pike, managing director of Watts Blake, said yesterday that M&G Investment, its next largest shareholder with about a 7 per cent stake, had decided that it would not accept the Sibelco offer.

"We believe other independent shareholders will follow M&G's lead", said Mr Pike.

Sibelco has said that it was a Stock Exchange requirement that it must make a full offer for the company, following the purchase of the Ceramics and Quarzwerke stakes, that had prompted the bid rather than a desire to take over Watts Blake.



The Devon-based company which has been digging ball clay out of the Bovey Basin near Newton Abbot since 1710, said that the offer price of 420p put the group on a prospective exit p/e of 15.8 times, on forecast earnings of 26.5p for 1993.

This was considerably less than the sector averages for other companies supplying industrial and building materials. It also allowed no premium for a business which controlled 60 per cent of ball clay production in the UK, 25 per cent in Germany and between 25 and 30 per cent in the US.

The company supplied 40 per cent of ball clay used by European sanitaryware manufactures and a third of the US sanitaryware market and was the substantial supplier of ball clay to the Far East market. It also claimed to supply a quarter of the European and US floor tile markets.

Mr Pike said that the company had increased profits in eight of the past 10 years and raised dividend payments every year except one, when they were maintained.

YRM ends year £1.98m in the red

By Graham Deller

SHARES of YRM closed 3p lower at 37p yesterday, having touched 33p earlier in the day, after the building design consultancy recorded its first-ever annual loss and passed its final dividend.

When reporting an interim deficit of £498,000 in February, YRM said it should be profitable in the second half. In the event it incurred full year pre-tax losses of £1.98m, against previous profits of £1.38m, on turnover down to £14.1m (£19.6m).

Mr Brian Henderson, chairman, attributed the losses for the 12 months to April 30 to sharply increased expenditure on building services engineering commissions and provisions against debtors and work in progress. The group also took provisions of £700,000 for future property costs and £75,000 following revaluation of a freehold property.

Moves to reduce operational costs continued with redundancies amounting to £358,000, against £603,000. Mr Henderson said the annualised saving was £1.6m.

Although there were signs that the improvement in the UK economy was stimulating new building investment initiatives – a number of new commissions had been awarded throughout the group – Mr Henderson said that trading conditions remained extremely difficult.

After a tax credit, losses per share emerged at 12.58p (earnings of 5.78p). The omitted final dividend leaves a 0.5p payment for the year; the previous year saw a total distribution of 4p.

The accounts were prepared on a going concern basis, dependent on an anticipated agreement for continuing facilities with the group's bankers.

Managers buy remaining Survival shops

THE SIX remaining shops of the collapsed Survival Group have been sold to their managers in individual deals, joint administrators Buchler Phillips Traynor said yesterday, writes Chris Tighe.

The six buy-outs, which will trade as separate entities, have bought stock, fixtures and fittings and negotiations are in progress on their use of the logo and trade names of the Survival Group.

The company, which was chaired by Mr John Ashcroft, former Coloroll group chairman, went into administration in March with liabilities of £1.7m.

Buchler Phillips Traynor said that preferential creditors might receive a small dividend; unsecured creditors, who are owed £1.5m, will receive nothing.

Joint administrator Mr Ron Robinson said: "The sale of outlets to their respective managers was the best, if unusual, solution for Survival's creditors and former employees".

Mr Ashcroft and two partners bought a 72 per cent stake in Survival Aids, subsequently renamed Survival Group, in 1990. It was his first acquisition following Coloroll's collapse with debts of approximately £350m.

In March Mr Ashcroft said he held a minority interest in Survival Group, but was its largest creditor.

Accounting changes flatter Hill & Smith

By Catherine Milton

PRE-TAX profits at Hill & Smith Holdings, the steel stockholding, forging and fabricated products group, improved from £1.24m to £1.48m in the six months to end-March in spite of a small drop in sales.

The company's compliance with FRS 3 flattered profits by depressing the comparative figure with a one-off exceptional charge of £212,000 for losses on the May 1992 disposal of a stockholding subsidiary.

Loss-making Tipton Steel Stockholders (Stoke) was sold to Richardson Westgarth and in March 1992 Hill & Smith bought Duct & Access Covers, a manhole maker, which supplies the communications industry.

The transactions caused a net drop in turnover of about £500,000 and sales dipped to £31.5m (£31.8m). Mr Michael Sara, group managing director, said: "We sold a loss-making company and bought one that makes profits. That's why our profits have gone up."

He added: "The market for manhole covers is good in parts. Sales to BT have been flat, to cable TV, fairly good and to construction, poor." A slightly firmer property market meant demand for building products, such as steel lintels, was improving.

The company had experienced a "very poor start" to its financial year: "The economy was diabolical in October and November, though from that period things improved gradually until March. From March things have been a little unsteady, but have levelled off to a point higher than in the autumn."

The interim dividend is 2.1p, which taking into account the 1-for-15 scrip issue in March, represents a 6.6 per cent increase. Earnings per share improved to 3.34p (2.79p).

MCC administrators sell Molecular Design for $90m

By Raymond Snoddy

PRICE Waterhouse, administrators of Maxwell Communication Corporation, has sold Molecular Design, a California-based software company, for $90m (£60m).

The deal is the first sizeable disposal of the US businesses owned by MCC.

MDL, which provides specialist software and support for the chemical and pharmaceutical industries, was sold through a public offering and flotation.

Mr Alan Jamieson, the Price Waterhouse administrator, said there were bids for MDL but because of the intangibles involved – intellectual property and goodwill – the flotation raised more money.

All the MCC businesses in the US are in the process of being sold. Four companies are in the final round of detailed due diligence and bidding for Macmillan, the US publishing business which includes a 50 per cent interest in the Macmillan/McGraw-Hill School Publishing Company joint venture.

Reed Elsevier is still favourite to buy Official Airlines Guide. The Anglo-Dutch group has a non-binding, non-exclusive letter of intent. No other higher offer has so far been received and Reed has obtained US anti-trust clearance to acquire the business. The Collier Encyclopedia publishing business is also being sold separately.

At the beginning of the disposal programme it was thought between $680m and $1.1bn would be raised.

Bullough sharply lower after further restructuring costs

By Paul Taylor

BULLOUGH, the office products and refrigeration group, reported sharply lower interim pre-tax profits after taking a £4.67m charge to cover further restructuring in its French office furniture, Belgian industrial heating and UK raised flooring businesses.

The restructuring costs, coupled with higher net interest payments of £921,000 (£418,000), reduced the group almost to break-even in the six months to April 30 with pre-tax profits of just £50,000, compared to £5.89m last time.

Turnover edged up to £133.4m (£132.7m), but would have been slightly lower had it not been for currency influences.

Earnings per share fell to 0.02p (3.12p) but the interim dividend is maintained at 1.75p and the group said that "in the absence of unforeseen circumstances" it intends to maintain the final of 4.3p.

Operating profits, before the restructuring costs, fell to £5.64m (£6.31m) but Mr Robert Steel, managing director, said the year-on-year figures masked a significant improvement in the office products business over the 1992 second half when the group took a restructuring charge of £3.32m.

Turnover in the core office products division slipped to £50m (£54.8m) but the division recorded a £83,000 operating profit compared to a £2.3m loss in the 1992 second half, helped by improved profits from the Project office furniture business in the UK.

Mr Steel said the latest restructuring charge, mostly to cover redundancy costs, had been made necessary by the unexpected severity of recession in the French office furniture equipment market and in Reznor's industrial heater business based in Belgium.

More than half of the restructuring costs were attributable to Atal with the balance split between Reznor and the Propaflor business in the UK.

Overall, the workforce was reduced by 400 to 4,600 during the first half, and is expected to contract further although Mr Derrick Battle, chairman, emphasised that the group does not expect any further restructuring charges.

BICC drops Andover flotation plan

By Peter Pearse

Shares in BICC slipped 8p to 390p yesterday as the international cables and construction group announced that it had cancelled its plans to float some 60 per cent of Andover Controls, its US subsidiary, on Nasdaq.

Mr Tim Sharp, for BICC, said the flotation – which at an issue price of $15 would have given Andover a market capitalisation of $75m (£50m) – would have had to go ahead "in a very crowded and competitive environment for new issues" and that it was thought that institutions considered it "not as attractive as others on offer".

Mr Sharp said that BICC could have sent Andover back with a lower price tag, but was not keen to accept a price that was not "proper" for the business. BICC wanted to float or dispose of Andover as part of its reversion to its core, but Mr Sharp said it was the most successful of BICC's technology companies and it was "not a painful business to run".

Andover designs heating, ventilation, air conditioning and lighting systems for "smart" buildings.

NEWS DIGEST

Bass plans £35m pub expansion

BASS, the UK's leading brewer, is to spend £35m in 1993-94 on building and acquiring new pubs, writes Philip Rawstorne.

The company has set up a special team of surveyors, based in London, Leeds and Birmingham, and has begun a nationwide search for suitable sites.

Mr Bob Holtham, director of acquisitions for Bass Taverns, said: "We are already well on the way towards our target of 35 new pubs this year and we aim to open one a week during 1994.

Grahams Rintoul net assets ahead

Grahams Rintoul Investment Trust, which invests mainly in smaller companies and is ultimately controlled by American Express Bank, had a net asset value per share of 157p at June 30.

That compared with 113.9p at the December year end and with 133.4p a year ago.

Net revenue for the half year was £586,000 (£427,000) and earnings per share came out at 0.25p (0.96p losses).

Witan Investment assets improve

Net asset value per share of Witan Investment Company rose from 181.5p to 227.9p over the 12 months to June 30. At the December 1992 year-end the figure stood at 212.8p.

The 25 per cent improvement in asset value reflected the merger between Henderson Administration, in which Witan has a large holding, and Touche Remnant.

Available revenue for the half year to June 30 amounted to £9.29m (£8.71m), for earnings of 2.58p (2.54p).

The interim dividend is again 2.7p.

Sales fall pushes Elbief deeper in red

Elbief, the manufacturer of photograph and handbag frames, mirrors, clocks and accessories for leather goods, saw its pre-tax losses widen to £592,000 over the 12 months to April 30.

The increase from the previous deficit of £451,000 came on turnover down 16 per cent at £3.74m.

Eliza Tinsley jumps 40%

Eliza Tinsley, USM-quoted maker of hardware products, returned pre-tax profits of £713,000 for the year ended March 31 1993, a 40 per cent increase on last time's £510,000. The improvement maintained the progress shown at the half-way stage.

Turnover declined from £15.7m to £15.1m. At the operating level profits were lower at £867,000 (£917,000), squeezed by pressure on margins, which was not offset by overheads reduced by £250,000, and improved control systems.

The 1991-92 operating profit was before reorganisation costs of £249,000. The results were drawn up in accordance with FRS 3 accounting standards.

The dividend is increased from 5.2p to 5.45p, with a final of 3.65p, paid from earnings of 6.62p (4.72p).

The shares closed 10p lower at 97p.

British Syphon shares surge

British Syphon Industries, the industrial group, said yesterday that it was to distribute a large part of its £33m cash reserves in a special dividend amounting to 62.35p per share.

The shares responded via a 55p rise to 180p.

For the past two years the group's strategy had been to make a substantial acquisition, a strategy that required the full support of Britannia, the main shareholder.

However, in view of the difficulty in "identifying" an appropriate acquisition the board had decided to distribute a "large" part of the cash in the form of a special dividend.

Prime People deficit rises

Losses at Prime People, the Manchester-based specialist training group, widened from £124,000 to £249,000 pre-tax for the half year ended April 30.

Last month the USM-traded group disposed of Bowford Engineering Services for £1.06m just seven months after reversing into the company in a £2.8m deal.

The results for the six months included trading losses of £179,000 for Bowford.

First-half turnover totalled £1.63m (£380,000) and losses per share emerged at 0.3p (0.6p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.07.93: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.24	18.07	18.07
0100	18.06	18.04	18.04
0130	18.08	19.50	19.50
0200	18.16	19.50	19.50
0230	18.16	18.05	18.05
0300	18.18	18.05	18.05
0330	18.18	18.05	18.05
0400	18.18	18.05	18.05
0430	18.06	19.50	19.50
0500	18.06	19.50	19.50
0530	18.04	18.04	18.04
0600	18.03	32.00	32.00
0630	18.03	32.00	32.00
0700	20.43	20.50	26.44
0730	24.82	26.88	32.74
0800	25.01	28.66	32.55
0830	27.61	29.52	35.35
0900	27.92	29.53	35.30
0930	30.09	29.53	35.29
1000	30.10	29.53	35.28
1030	30.10	29.53	35.29
1100	27.95	26.81	32.48
1130	30.10	26.81	32.49
1200	30.10	27.77	33.50
1230	30.09	29.53	35.33
1300	30.08	29.53	35.30
1330	27.92	26.66	32.33
1400	26.89	26.66	32.33
1430	25.88	25.13	30.75
1500	25.88	25.13	30.75
1530	25.88	24.89	30.52
1600	25.68	25.13	30.79
1630	26.89	24.10	29.72
1700	34.73	33.00	38.85
1730	34.73	33.00	38.85
1800	34.73	33.00	38.92
1830	25.47	24.09	29.81
1900	25.20	24.09	29.82
1930	24.82	23.41	29.19
2000	24.37	23.41	29.21
2030	24.37	22.33	28.10
2100	24.25	20.90	26.65
2130	24.25	22.33	28.12
2200	33.00	27.96	33.84
2230	33.00	31.50	37.55
2300	24.25	31.50	37.61
2330	21.83	22.33	28.15
2400	22.08	20.90	26.74

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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RECRUITMENT

JOBS: Backroom research by Japanese economist casts light on real problems of employment

The Doubleday family's damaging effect

By Michael Dixon

SO soon after Japan's royal wedding, it's perhaps unseemly to liken Tsugunori Hara to the boy who proclaimed that the emperor was wearing no clothes. There is nevertheless a strong case for doing so, the reasons being twofold.

The first is that Tokyo, where Mr Hara works as an economist at the Sumitomo-Life Research Institute, was also the site of the announcement of the forthcoming international conference on how to create jobs in industrialised countries. The other is that, on past performance, the political eminences doing the conferring will overlook the point the Tokyo economist has apparently made.

I say "apparently" because the only information to hand on his feat is a two-sentence snippet based on a news agency report which can no longer be traced. It says Mr Hara has proclaimed that Japan's real unemployment rate, far from being the 2.5 per cent officially recorded, is 6 per cent.

He has arrived at the higher figure by taking account, not just of citizens who are unwillingly jobless, but also of what he terms "in-house unemployment" – the numerous people who, although occupying paid positions, have little if any actual work to do.

Having no more data, we alas can't check his way of estimating how many such people there are. All I can say is that if they really amount to only 3.5 per cent of those available for employment, Japan has cause to be proud.

But our lack of knowledge of his methods does not detract from the importance of the point he has made: that employment, as gauged by numbers in jobs, is not the same as *productive* work. Nor is the distinction any less important for the fact that it could hamper the international political leaders soon to confer.

For, if they just ignored the difference as usual, their task in creating jobs would be a doddle. Indeed they might well go far towards it simply by acting in precisely the reverse way to the government of Singapore which, fearing an over-supply of lawyers, is taking steps to cull them.

In explaining the policy, the minister responsible talked forebodingly of a time soon coming when there would not be enough work for the country's lawyers to do. With all due respect, however, the odds are that Judgment Day will be over and done with before the time he spoke of arrives.

The reason is that lawyers fall into the category of employees who not only create work for one another, but also undo the work that the others have done. Hence the more of them there are, the busier they will become.

The only trouble of course is that, far from being productive, the net effect could conceivably be harmful – as witness a hypothetical couple the Jobs column has nightmares about, called Michael and Margaret Doubleday.

Since he is a senior inspector of taxes and she a tax-avoidance accountant, they have more self-cancelling work to do than time to enjoy their resulting opulence. Moreover, as professional ethics require them to work well apart, they rarely meet. But they did get together for long enough 16 years ago to have a son nicknamed Buster who, agonised by his parents' remoteness, expresses his disaffection by vandalising public property. Hey presto: a family producing net harm.

In fact, the only point of their existence is to show that society would have been better off if either Michael or Margaret – and it doesn't matter which one – had given up employment to ensure that Buster received the love as well as the discipline essential to a civilised up-bringing.

Accordingly I present the Doubledays along with Mr Hara's calculation to the politicians booked in for the conference. Perhaps the gift will remind them that the best way ahead may lie, not in creating more employment of the purely self-nourishing sort, but in engineering a reduced demand for it by social-security and legal measures to encourage a strengthening instead of further fragmenting of family life.

NOW to the table alongside, showing developments in the United Kingdom's executive employment market as gauged by the MSL consultancy's quarterly counts of jobs for managers and senior specialists advertised in UK national journals. The upper part of the table focuses on the year to June 30, starting with the separate 12-month tallies for eight broad categories of work. Then comes the overall total, with the individual quarterly counts beneath.

As may be seen from the April-June tally at the bottom, while the plunge in advertised demand is not yet over, it is closer to being so than it has been for almost four years, being only 0.4 per cent down on April-June 1991-92. But before anyone breaks into wild rejoicing, it must be noted that six of the work categories still show falls from the levels of 12 months before.

By that yardstick, the only two with increases are sales and marketing and computing, both of which have been on a rising path for nine months without transferring any of their upward energy to any other field. True, the accounting category shows signs of being about to join them – although whether that's good or bad news is another question.

UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND KEY SPECIALIST STAFF
(12 months to June 30)

Type of work	1992-93 Posts advertised	1992-93 Change from 91-92 %	1991-92 Posts advertised	1991-92 Change from 90-91 %	1990-91 Posts advertised	1990-91 Change from 89-90 %	1989-90 Posts advertised	1989-90 Change from 88-89 %	1988-89 Posts advertised	1988-89 Change from 87-88 %
Research & devlpmt	1,160	−17.1	1,400	−42.4	2,429	−33.9	3,673	−14.9	4,317	+14.6
Sales & marketing	2,883	+24.5	2,315	− 5.0	2,436	−21.4	3,101	−34.1	4,706	−26.5
Production	2,006	−12.3	2,287	−37.2	3,644	−37.0	5,781	−11.6	6,537	− 8.4
Accounting	2,580	−16.3	3,083	−17.8	3,752	−40.4	6,295	−14.7	7,377	− 7.1
Computing	1,242	+32.7	936	−33.5	1,408	−49.8	2,805	−36.1	4,393	+ 2.9
General management	765	−20.5	962	−13.7	1,115	−14.6	1,305	−10.4	1,457	−16.5
Personnel	327	−22.7	423	−21.4	538	−41.8	925	−24.1	1,218	+14.5
Others	3,314	−14.9	3,892	−21.1	4,934	−25.7	6,638	−21.6	8,472	+22.2
Total	**14,277**	**− 6.7**	**15,298**	**−24.5**	**20,256**	**−33.6**	**30,523**	**−20.7**	**38,477**	**− 2.2**
July-Sept	3,379	− 6.9	3,630	−40.8	6,131	−22.0	7,858	−15.8	9,338	+12.9
Oct-Dec	2,936	−18.1	3,587	−32.5	5,318	−19.8	6,627	−26.8	9,048	− 2.2
Jan-March	3,955	− 2.5	4,058	−11.2	4,572	−45.6	8,397	−23.1	10,915	− 2.7
April-June	4,007	− 0.4	4,023	− 5.0	4,235	−44.6	7,641	−16.7	9,178	−13.4

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The next examination for the foundation diploma will be held on Monday 13th December 1993. Details of the autumn courses will be available from the end of July. All enquries should be directed to:- Brian Green 0604 864759 or Peter Searson 071 283 3732.

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ACCOUNTANCY COLUMN

Food for thought in Polly Peck's bitter harvest

Andrew Jack argues that the profession could have done more to highlight problems in the group's affairs

THE story of Polly Peck International, the fruit-to-electrics group, which went from wonder stock to insolvency within a few weeks in 1990, is almost as sorry a tale for accountancy as it is for Mr Asil Nadir, its founder.

The most prominent finger of blame must point to Mr Nadir, who has illegally fled to his native northern Cyprus, jumping bail conditions while awaiting criminal prosecution for theft, and facing civil action for the recovery of misappropriations totalling at least £371m.

The reputations of those who have pursued him – notably the Serious Fraud Office, the Stock Exchange and the Inland Revenue – are not entirely untarnished. But the episode has shown many facets of accountancy in an equally poor light: preparers and users of accounts, standards, auditors, administrators and professional bodies.

It appears that Meyna, the group's Turkish fruit business, has a turnover one-fifth of that claimed for it in the group accounts. Against reported trading profits of TL195bn (£11.6m) for the first six months of 1990, the management accounts for the full year show gross profits of just TL13bn and an overall net loss.

Whether this could have been detected earlier is open to question. There is evidence that Nadir blatantly misled his auditors on at least one occasion, by failing to discuss his interest in 1989 in Impexbank, a Turkish bank which was instrumental in channelling Polly Peck funds into his own personal and private business activities.

But there were other areas which arguably should have aroused more suspicion at the time. Meyna was one of several PPI subsidiaries whose reported performance did not tally with reality. It was listed as the UK's second largest capital investment in Turkey and was apparently generating substantial sales. Yet local traders suggest it had no more than 5 per cent of the market, and the margins were mysteriously well in excess of those of its competitors.

In northern Cyprus, Sunzest, PPI's fruit exporter, was apparently supplying more oranges than the island's entire annual crop; while Unipac, its packaging company, seems to have been producing more boxes than there was fruit to fill them.

While this evidence was anecdotal – and could usefully have been supplemented by a few more trips from investors and commentators to the Near East while PPI was still trading – other information in the published accounts should have raised some eyebrows.

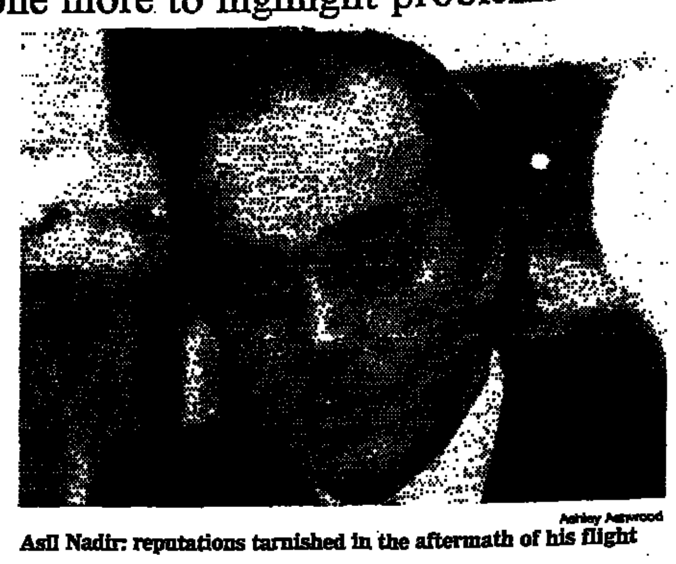
The geographical split shows profits from operations in the near and Middle East consistently above 25 per cent, and still consistently furnishing two-thirds of group profits in 1989 when its contribution to turnover had fallen to 35 per cent. The ratio of net purchase of tangible fixed assets to depreciation was also abnormally high.

Stocks, debtors and work-in-progress all strangely grew year by year to substantial levels, more than doubling between 1988 and 1989 alone. So did the number of days in debtors, creditors and stock. Were these figures ever verified, or considered recoverable?

This is all before considering the frequently highlighted treatment of foreign currency, by which Polly Peck booked to profits large amounts of interest from cash on deposit in high-inflation, soft currency regions, while pushing the exchange losses on conversion through reserves.

Equally, there was the delicacy of the group's cash position. Recasting its latest source and application of funds statement to the format of FRS 1, the Accounting Standard Board's cash flow equivalent, shows net outflows from operating activities of £129m in 1989 alone – and rising fast.

Both the foreign currency and cash positions can be derived from the published accounts, though they were apparently neglected or dismissed by investors boosting the shares and analysts helping hype them even days before the group went into administration.



Ashley Ashwood

Asil Nadir: reputations tarnished in the aftermath of his flight

Much more important was the large amount of cash supposedly on deposit in northern Cyprus, and the highly material profits claimed as generated in the region. Stoy Hayward, PPI's group auditor, says it relied for the audit of these subsidiaries on Erdal and Co, a small local firm which it introduced to Horwath International, the network to which it is affiliated.

Mr Paul Hipps, Stoy's senior partner, says two partners and one or two managers went to northern Cyprus each year to examine Erdal's working papers, and sometimes visited Turkey. He says the firm had no choice in selecting Erdal, which was chosen by PPI.

The senior audit partner on the job has since died. It has no copies of the working papers it inspected in northern Cyprus and Erdal refuses to supply any now. Other auditors argue that if Stoy had doubts about the quality of Erdal's work, it could have conducted its own audit on the subsidiaries, or qualified the PPI accounts. It did neither.

The administrators to Polly Peck also cannot entirely escape criticism. Their strategy of initially co-operating with Mr Nadir in the hope of realising high proceeds seemed logical, but failed. Their approach since, including considerable litigation, has so far cost more than the recoveries it has generated. Current estimates give creditors up to 4p in the pound.

More important, the role of the disciplinary processes of the Institute of Chartered Accountants in England and Wales, and the conduct of one of its largest members, are unfortunate. Accountants from Coopers & Lybrand carried out many projects for PPI over the years and yet became administrators in spite of ethical rules banning appointments when there has been a "continuing professional relationship".

Coopers claimed its internal systems were not able to pick up the conflicts. That seems surprising in a firm offering computer consultancy to others, and also since Mr Richard Stone, one of the administrators, was head of corporate finance during some of the time his department was conducting work for PPI.

The institute, as so often, appeared bound by existing archaic rules, which limited the fines to just £1,000 to each of the two administrators, and an examination of its systems.

Analysis with hindsight may be unfair, but it is likely to be causing a wry smile on the lips of Mr Nadir. He would have had far less chance to throw a smokescreen around his own conduct if those who tackled him had been more unblemished in theirs.

The British Council

"The British Council provides an unrivalled means to promote British interests at a time of significant change and new opportunities". - John Hanson CBE, Director General

The British Council is Britain's principal agent for cultural relations abroad, including promotion of the English language and educational and technical cooperation. The Council is an independent, non-political organisation, incorporated by Royal Charter. It is represented in 98 countries and employs 6,300 staff worldwide, and has a turnover of over £400 million, around £130m of which comes from government grants. **This is a challenging time for the British Council as it repositions itself as a tightly controlled, cost-effective and increasingly self-funded organisation. The role of the finance function is central to this evolution, and the Council wishes to strengthen its senior management team with the appointment of two key individuals.**

Financial Controller — to £65,000

This is a newly created position, reporting to the Finance Director, and taking responsibility for the entire finance function. As a result of a recent strategic review, the department is being restructured and the Financial Controller will drive this process, realigning the function to support and address the business needs of the Council. Additional tasks include:-

- reviewing and enhancing the financial systems and controls that exist throughout the Council, worldwide;
- providing effective and motivational leadership for a widely spread finance team, at the same time as strengthening the skill base;
- managing the process of change from cash to accruals accounting.

Candidates for this position will be graduate qualified accountants of considerable personal stature and credibility, with a successful track record of leading the finance department of a large, complex international organisation.

A background in the service industry - public or private sector - would be most relevant, and familiarity with the disciplined regime of a tightly controlled financial environment is vital.

Highly developed management and communication skills are a pre-requisite, combined with integrity, professionalism and an ability to get things done. In addition, the Council will look for a record of achievement in the management of change. It is envisaged that the Financial Controller may take over from the Finance Director in the medium term.

Reference No. 206J

Head of International Audit — to £45,000

The primary function of the audit department is to gain assurance that systems and controls are adequate throughout the operations of the Council worldwide. The Head of International Audit will report to the Finance Director, leading a team of ten.

Audit will play an important part in the repositioning of the Council and it will be this individual's task to define a more pro-active and wide-ranging role for the department, whilst still emphasising the continued need to achieve the necessary standards of financial control. Key duties are to:-

- assess the level of audit risk and devise appropriate audit plans and procedures to address such risks;
- determine the organisational structure and resources required to meet the objectives of the department;
- develop and motivate the audit team to rise to the challenges implicit in the Council's changing environment.

Candidates should be graduate qualified accountants with a strong track record at management level in the audit function of a large multinational organisation. This experience should include the planning of audits, the deployment of resources and the effective development of staff.

Exposure to the public sector would be useful, as would familiarity with computer audit techniques. A self-starter is required, with first-rate communication skills, strong attention to detail and a record of success in managing staff.

It is envisaged that the Head of International Audit will be away for at least 30 nights a year. This is a career development opportunity and prospects for progression are excellent.

Reference No.207J

These positions, based in Central London, will be filled on an initial three year fixed term contract, with packages agreed by negotiation. The British Council is an equal opportunity employer. Registered in England as a charity No. 209131.

GKRS

SEARCH & SELECTION

Clarebell House, 6 Cork Street, London W1X 1PB. Telephone: 071 287 2820

A GKR Group Company

Please send a detailed CV to GKRS at the address below, quoting the relevant reference number and including details of current remuneration and availability.

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Finance Director

Leading edge communications and computing services

c.£50,000 + benefits   Central London

Part of a major multinational group, this new business unit has been established to provide communications and computing services to both internal and external customers. Rapid change and leading edge technology are key features of the business.

A Finance Director is to be appointed to contribute fully to the strategic development and effective management of the business in a rapidly changing environment. Major responsibilities will include:

- Developing new systems to monitor and control the implementation of business strategies and plans and establishing the performance management framework of the business
- Directing the development and implementation of financial and business support systems and structures.
- Creating and implementing a strategy for the development of staff in order to build a strong and effective finance function within a devolved environment
- Contributing business and financial advice in many areas, including external and internal negotiations, alliances and joint ventures, venture capital, risk assessment, cost reduction and pricing strategy.

To fulfil the requirements of this new role, you will need:

- A degree and preferably an MBA or equivalent
- A recognised accountancy qualification
- A minimum of 5 years experience at senior manager or director level within a medium/large information technology or telecommunications organisation, preferably operating within the financial services sector
- Strong commercial experience, particularly within the areas of strategic and business planning, negotiating and financing
- Experience of developing and coordinating effective MIS in a complex and fast-changing technological environment
- Excellent interpersonal and communication skills, a strong professional image and leadership qualities.

This position offers an exceptional opportunity to be a key contributor to an organisation working towards success in leading edge IT services.

Please write, enclosing a full CV and salary details to Heather Thomas, quoting reference number F/1381 at the address below.

Executive Search & Selection
Price Waterhouse
Milton Gate
1 Moor Lane
London EC2Y 9PB
Tel: 071-939 6341
Fax: 071-638 1358

Group Finance Director

Intended flotation of UK Leisure/Retail Group

Nottingham

£ Negotiable + Car + Excellent benefits

WP

Our client, an international leisure and retail group, is a market leader in its field and is currently undergoing a period of significant growth. A dynamic management team, coupled with innovative marketing strategies, and a reputation for excellence, has been effective in producing a number of attractive business opportunities. The result is an environment which is both competitive and highly entrepreneurial.

There now exists a requirement to augment the senior management team with the appointment of a Group Finance Director. The initial brief will be primarily orientated towards the preparation of the company for a stock market flotation. Specifically, this will encompass liaison with the group's financial advisors and city institutions, involvement with relevant statutory documentation, and an input into the marketing of the issue. The appointee will also be responsible for all aspects of financial management, and be expected to contribute actively to the development of group strategy in the period following flotation.

This opportunity will appeal to a commercially orientated Chartered Accountant (aged 35-45) with an outstanding record of achievement to date. Experience of operating at a senior level within a publicly quoted company, preferably having taken the organisation to the market, is essential. In addition, the successful candidate is likely to be a highly effective communicator with the experience and ability to manage rapid growth.

The remuneration package will reflect the seniority of the position and will include a company car and normal executive benefits.

Interested candidates should forward a CV to either Robert Walker or Brian Hamill at our London office. quoting RW1335

WALKER HAMILL

Financial Recruitment Consultants

29-30 Kingly Street
London W1R 5LB

Tel: 071 287 6285
Fax: 071 287 6270

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whitehead*selection*

Chief Financial Officer

Poland

c. $90-120,000 + significant stock options

PEPSICO FOODS INTERNATIONAL

One of the best known and most successful international consumer goods companies has an exceptional career opportunity for a high-calibre Polish-speaking Chief Financial Officer. PepsiCo Foods International has taken a pioneering position in the Polish marketplace, acquiring the confectionery and snack food company Wedel which possesses the leading consumer brand in the country. Ambitious five-year plans are in place to build new plants and grow a substantial business organically and through acquisition.

Reporting to the President of the Polish business and working closely with senior functional management in the UK and USA, the successful candidate will be responsible for all financial aspects of the business in Poland, and contribute as a member of the senior management team. Strategic analysis will be a key task. Success in this role could lead to international career opportunities.

Candidates must have an accounting qualification (CPA in the USA) with a proven record in a senior financial management role in a blue-chip US or UK multinational. It is essential to have experience in developing cost control and management information systems, ideally in a manufacturing or retail environment, and demonstrable man-management and planning skills.

Please write with full career and salary details and quoting reference 631C, to Richard Kaluzynski, Whitehead Selection Limited, 43 Welbeck Street, London W1M 7HF.

A Whitehead Mann Group PLC company.

*whitehead*selection

ASSISTANT DIRECTOR OF FINANCE

Circa £30,000 plus performance related pay and car

Bromley Health is the commissioning agency for the Bromley Health Authority and Bromley Family Health Services Authority. It has an annual budget of £150 million to secure healthcare for 300,000 people across primary and secondary care.

The NHS and Community Care Act (1990) places importance on the development of primary and community care. Bromley Health, as a unified commissioning agency, is uniquely positioned to meet this challenge. We are now seeking to appoint a qualified accountant to help us. Reporting to the Director of Finance, and liaising closely with the Director of Primary and Community Care, the Assistant Director of Finance will be responsible for:

Primary Care

- strengthening the financial controls over the process of setting budgets for GP Fundholders;
- ensuring consistency in practice accounting and activity recording;
- developing a more explicit performance management approach to Fundholder purchasing;

Community Care

- establishing financial controls over committed expenditure;
- pursuing value for money;
- developing reporting systems.

The Successful Applicant

The successful applicant will be an ambitious qualified accountant who recognises the substantial challenge facing the NHS today and how to meet it effectively. Ideally the successful applicant will have working experience of the NHS. However the important attributes are an understanding of current issues in the NHS and a tactful determination to succeed.

For an information pack contact: the
Personnel Department,
Bromley Health,
Global House,
10 Station Approach, Hayes,
Kent BR2 7EH.

For an informal discussion contact: Philip Lloyd, Director of Finance on 081-462-2211. The closing date for applications is 6th August 1993. Interviews will be held during the week commencing 16th August 1993.

BROMLEY HEALTH

SEARCH ◆ SELECTION ◆ ASSESSMENT

FINANCIAL DIRECTOR

AUTOMOTIVE INDUSTRY

Circa £40,000
Car, benefits

Southern England

This well established group of ten companies employs about 500 people and has a combined turnover of £60m. It is a major player in the motor vehicle retail and allied business. A new drive to greater efficiency and improved profitability has created an opportunity for a Financial Director to take a leading role in this initiative.

As a member of the senior management team and working in close liaison with the Group Managing Director, you will take full control of all financial aspects of the group's operations. Managing a team of 4 direct and 25 indirect staff, you will pioneer the introduction of "best practice" at all levels, standardise reporting procedures and help facilitate internal auditing throughout the group. A further key element of the role will involve viability studies for ongoing expansion plans.

Probably aged 35-45, it is essential that you are a chartered accountant and preferably an FCA. You will have experience of a multi-site operation, at group level, not necessarily in the motor trade but almost certainly in a complex service and retail environment. Computer literate, a good communicator and a positive thinker, your practical approach will help to generate enthusiasm.

In addition to a substantial salary, the rewards include private healthcare, executive car and a significant annual bonus. Assistance with relocation to an attractive part of the country is also available.

Real commitment and a capacity for personal growth could lead to a main board appointment within twelve months.

If you have the personality and drive we are seeking, please send your CV and current salary details to:

Ramsey Hall Associates, 9 Carlton Crescent, Southampton, Hants S01 2EX, quoting reference S02092/FT.

All applications will be acknowledged and handled in the strictest confidence.

RAMSEY HALL ASSOCIATES

Finance Director

Hong Kong

Schroders is one of the largest and most international of the UK based investment banking groups. The Asia Pacific Region plays a vital part in our overall strategy and we have several offices in the Region, including Hong Kong, where we employ over 250 staff and provide a full range of services including corporate finance, credit, capital markets, investment management, project finance, securities, and treasury and trading.

An opportunity for a Finance Director has arisen for Schroders Asia Limited, as the current incumbent is to retire shortly. The role encompasses full responsibility for the financial and operational affairs of the bank including regulatory and control aspects, and responsibility for managing the personnel, IT, administration and Company Secretarial functions. The successful candidate is likely to be a qualified accountant and must have senior level financial experience in a banking organisation with substantial treasury operations. Strong management skills will be essential and experience of a broader operational role in an international environment would be useful.

A competitive expatriate package is offered and there are opportunities for career progression within the Schroder Group worldwide.

Applications, including a full resumé, should be sent to Sue Cox, Group Personnel Director, Schroders, 120 Cheapside, London EC2V 6DS or to Ian Boyce, Managing Director, Schroders Asia Limited, 25th Floor, Two Exchange Square, 8 Connaught Place, Hong Kong.

Schroders

£40,000 + full benefits — *Thriving Contracting Business* — *Yorkshire*

Financial and Administration Manager

This c. £10m subsidiary is the UK arm of a very substantial multi-national organisation, supplying a unique product in a market niche benefitting from the drive towards environmental improvements. To respond to that market, reorganisation has created an unusual opportunity to combine a number of functions under one senior manager, offering a career move to broaden experience beyond pure accountancy.

- Reporting to a US based CFO and local Managing Director, responsible through small teams for functions spanning accounting, commercial transactions and personnel management.
- To ensure the controls and regular reporting of performance to the US, developing new systems to measure effectiveness, track projects, improve cash flow and optimise stocks.
- To manage all aspects of personnel related affairs, implementing policies and administrative procedures, developing the people needed to support the growth plans of this expanding, profitable business.
- A qualified accountant, probably CIMA, combining youth and vigour with the experience and maturity to manage a number of functions. Must be familiar with Sage software.
- Already proven as a rounded financial controller, with practical knowledge of employment law, administrative procedures and a genuine interest in people management.
- Experience of construction/projects would be ideal. The company style is thrusting, fast-moving and ambitious. Its managers are flexible, committed and well rewarded for success.

London 071 973 8484
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F1171073M, Adlington Court, Greencourts Business Park, Styal Road, Manchester M22 5LG

c. £50,000 package + benefits — *Project Finance* — *East Anglia*

Finance Manager

Unusual opportunity for an outstanding project finance specialist to join this fast growing subsidiary of a major plc, a leading player in its sector. Complex joint-venture agreements, substantial capital spends on advanced construction programmes and acquisitions require effective financial management and control. Excellent career prospects.

- Reporting to the Managing Director, responsible for the financial management of a portfolio of current and future developments. Strong project finance focus.
- Establish and manage a flexible financial infrastructure that enables the board to track progress on projects and maximise returns.
- Manage all aspects of the finance function including financial and management accounting, reporting to Group, forecasting and project appraisal.
- Qualified accountant, 30s, with strong track record in the financial control of major capital projects in the construction, heavy engineering or energy sectors.
- Experience of implementing project tracking systems. Strong financial modeller. Acquisition experience preferred.
- Confident, challenging negotiator. Authority and commercial focus to represent the company on a number of joint-venture boards.

London 071 973 8484
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F316007344, Adlington Court, Greencourts Business Park, Styal Road, Manchester M22 5LG

OPERATIONAL AUDITORS

City • £30,000 - £50,000
plus full bank benefits including car, bonus, mortgage

Our client is a major multinational wholesale banking group which has successfully ridden out the storm of the recession with increased profitability and continued growth.

As an integral part of this expansion the Operational Audit function is currently in the process of strengthening its already powerful presence. Applications, in writing, are sought from top-flight qualified accountants at the following levels:-

(i) Senior Manager
(ii) Manager
(iii) Senior Auditor

Large firm Chartered Accountancy training to qualification followed by extensive exposure to banking in an audit capacity will be considered essential.

Experience of the complete range of banking products/services will be enjoyed and opportunities for career progression within the company are probably second to none. If your career is on a plateau, then, unless you are at present held back solely by lack of opportunity, you are unlikely to suit any of these positions.

In the first instance and for a confidential and comprehensive interview and briefing please contact **CHRIS FRENCH** at the address below or outside office hours at home on **081-398 7640.**

the *fleet* partnership

Financial Recruitment Consultants
117 Newgate Street, Old Bailey, London EC1A 7AE
Telephone: 071-600 6500 · Fax: 071-600 6300

CREDIT SUISSE FINANCIAL PRODUCTS

Derivatives Product Accountants

Since its inception in July 1990, Credit Suisse Financial Products has enjoyed unrivalled success and established its reputation as the market leader in the marketing and trading of the full range of derivative product services from its London base.

Continuing growth in activity necessitates the recruitment of two additional members for the Product Control team. Working closely with the front office, the roles will be wide-ranging, encompassing both analysis and control procedures. Specifically, these will include the review and analysis of daily profit reports, assessment of valuation models and the appraisal of complex structured trades.

Equity Derivatives Controller

You will be a qualified ACA with an outstanding academic track record and one to two years' experience of working with OTC equity derivative products. You may be looking for your first move from the profession, or seeking continued development of your product knowledge and front office exposure by joining a dedicated OTC derivatives house.

This is a role that will require well developed management and communication skills to liaise with senior managers and traders. Ref: 22/1492.

Interest Rate Derivatives Accountant

This role will suit a newly qualified ACA with a strong background in Mathematics, or a related subject. You may already have gained some product experience, but this position will offer the opportunity to develop an in-depth understanding of interest rate derivatives and to be trained in other aspects of the industry.

Close liaison with the front office forms an integral part of the role and, as such, you should possess excellent interpersonal skills combined with enthusiasm and commitment. Candidates awaiting results of final examinations may also apply. Ref: 22/1495.

The pace of growth within Credit Suisse Financial Products is exceptional and, as a result, both positions represent unique career opportunities in terms of the immediate challenges and further personal development in London or overseas. Both positions offer excellent salary and benefits packages, including performance bonuses.

Interested applicants please send a full CV, quoting appropriate reference number to: Tim Musgrave, at Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN or if you prefer, call on 071-240 1040. *All direct responses will be forwarded to Morgan & Banks.*

Morgan & Banks
INTERNATIONAL

Director of Finance and Administration - UK

Central London - To £45k plus benefits

Rapid expansion in the European practice of a prestigious international management consulting firm has created a challenging role for a highly skilled accounting professional

Reporting to the UK partner in charge of Operations, the Director of Finance and Administration will have a key role to play in guiding the future development of the firm's practice into Europe. Responsibilities will include:

- Financial & Strategic Planning
- Management of Branch Financial Operations
- Supervising all Support Functions
- Special Project Management

The successful candidate will be a skilled and resourceful manager, with a record of achievement in a comparable role. Five years management experience in a service industry, and Chartered Accountant status are prerequisites. Previous exposure to the consultancy industry would be advantageous.

Interested candidates should send a detailed CV to Peter Weston, Marakon Associates, 1-3 Strand, London, WC2N 5HP, including details of current remuneration and availability.

Marakon Associates

EUROPEAN INVESTMENT BANK

The **EIB**, the financial institution of the European Community, is currently seeking for appointment to its Department for Operations in **ROME** a

Loan Officer (m/f)

Qualifications: ☐ good University degree, or equivalent, in economics/finance; ☐ **several years professional experience, acquired in a credit department of a bank, financial institution, rating agency or consultants, in examining and carrying through credit operations (preferably long and medium term lending)**, in particular: analysis and assessment of company performance and competitiveness, financial position, prospects and investment decisions; risk assessment; negotiation and definition of loan conditions and security structure; ☐ alternatively experience in assessing the credit worthiness of banks and financial institutions, with a good knowledge of the banking industry and its specific risks; ☐ knowledge of quantitative tools and ability to make qualitative judgements on credit risk and guarantees; ☐ experience and aptitude in direct contacts with clients and negotiation of contracts; ☐ ability to draft clear and concise financial reports and recommendations; ☐ sufficiency in computer applications.

Languages: as the Bank's working languages are French and English, excellent knowledge of one and good command of the other are essential. Knowledge of Italian would be an advantage.

The Bank offers attractive terms of employment, a generous salary and a wide range of welfare benefits. It is an equal opportunities employer.

Applicants, who must be nationals of an EEC Member Country and preferably not over 35 years of age are requested to send a detailed curriculum vitae, together with a photograph to:

EUROPEAN INVESTMENT BANK
Recruitment Division (Ref.: PM/R 9301)
100 boulevard Konrad Adenauer
L-2950 LUXEMBOURG. FAX: 4379 3360.

Applications will be treated in strictest confidence and will not be returned.

Group Accountant

Central London
c £35,000 + Bonus + Car + Benefits

Our client is a growing pharmaceutical company with a $100 million turnover and 15 subsidiaries worldwide. We are recruiting a Group Accountant to work with the Group Financial Director in the company's small London Head Office.

Principal activities will include the review and analysis of subsidiary results, the coordination of the group's management and financial reporting processes including: monthly management reports, statutory accounts, budgets and the business plan. Other responsibilities will include elements of cash management, liaising with the group's auditors, systems development (Lotus) and various ad hoc assignments.

Ideally candidates should be graduate ACAs from the 'Big 6' with around 5 years post qualification experience, some of which should have been gained in industry or commerce and should include multi-currency consolidations, spreadsheet development as well as preparing reports to board level.

A hands on approach and good communication skills are essential.

Interested candidates should send their c.v. to David Brownlow, Douglas Llambias Associates Ltd, 410 Strand, London WC2R 0NS. Tel 071 836 9501 Fax 071 379 4820

DOUGLAS LLAMBIAS
RECRUITMENT CONSULTANTS

FMS
FINANCIAL SEARCH & SELECTION SPECIALISTS

FINANCE DIRECTOR
ENGINEERING PRODUCTS

This is an exciting opportunity to join a well-established company which is a strategically important part of a quoted engineering plc operating in a range of international markets.

You will be a key member of a management team committed to continuing the growth and evolution of this multi-sited subsidiary, working out of its head office in the North West. The role demands the implementation of [illegible] controls, the ability to work in an environ[illegible] make a significant contribu[illegible] had first-hand [illegible] in[illegible] integrated man[illegible] system. You must also possess a th[illegible] financial modelling techniques.

Ca[illegible] will [illegible] accountants, preferably with a degree, an[illegible] senior level within a ma[illegible] that anyone under 35 will have [illegible] to fill this role. Excellent personal presence [illegible] and good analytical skills are important requirement[illegible] initiating change, and enjoy adopting a "hands-on" [illegible] style which enables you to interface in all aspects of the operation.

This is a growing organisation which can offer first-rate prospects for career development, including the possibility for the right individual to move into general management.

Interested candidates should forward a detailed c.v. to: Jackie Willingale, FMS, 6th Floor, 85-89 Colmore Row, Birmingham, B3 2BB, 021 212 0088, Fax: 021 236 9351, quoting Ref: B23095/FT.

NORTH WEST

ATTRACTIVE PACKAGE, EXCELLENT BONUS, CAR

ENTREPRENEURIAL FINANCIAL MANAGER

Arts Media Property Group - to £35,000

Our client provides space for several hundred small arts and media businesses in London and Birmingham. Group turnover c£3.5m. We seek a London based financial controller / manager, who is familiar with small enterprises, to take responsibility for all group finances. Reporting to the proprietor / MD, the successful candidate will implement a new system of financial controls, take responsibility for the efficient reporting of financial and management information, and supervise the accounts and credit control functions. Ideally, he/she will have the acumen to contribute to the continuing expansion of the group.

- ACA, CACA or CIMA qualified
- excellent professional exam record
- min 3 years financial control experience
- experience implementing new systems
- aged 28 - 35
- highly proficient with accounting PC's

CV's in confidence to: THE BLOOMSBURY GROUP, Executive Section, Alton Hse, 177 High Holborn, London, WC1V 7AA. Fax: 071 240 7460, quoting reference FC93.

APPOINTMENTS ADVERTISING
appears every Wednesday & Thursday
& Friday (International edition only)
For further information please call:
Tricia Strong on 071-873 3199
Andrew Skarzynski on 071-873 3607
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JoAnn Gredell New York 212 752 4500

Group Financial Controller

Manufacturing

£40,000 + Bonus/Options/Benefits London/M4 Corridor

Key appointment at the centre of a UK, market leading plc, recently restructured and poised for growth in home and overseas markets.

THE COMPANY
- £65m turnover, manufacturing and distributing industrial products in UK, Europe, North America and Australasia.
- Increasingly profitable. Strongly capitalised. 750 employees. Very small Head Office team.
- Need to upgrade financial reporting systems. Aiming to raise group wide accounting and financial information standards.

THE POSITION
- Full responsibility for all group accounting, consolidations and multi-currency cash management. Close liaison with FDs in operating companies.
- Manage audit process. Support acquisitions investigations. Lead ad hoc projects. Report to Group FD.
- Maintain accounting standards group wide. Compile accounting manual. Select and implement group consolidation package.

QUALIFICATIONS
- Qualified Chartered accountant. Age to 45.
- Ideally exposure to financial control in a major industrial group. Experience of handling multi-currency operations.
- Energetic, tenacious and able to work under pressure to meet tough deadlines and highest standards. German speaker an advantage.

Please send full cv, stating salary, Ref BM2983
NBS, Berwick House, 35 Livery Street, Birmingham, B3 2PB

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a Norman Broadbent International associated company

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Financial Analyst

Major Services Group

To £35,000 + Benefits London

Varied and challenging role in a commercially-driven public corporation with autonomous subsidiaries, a substantial capital expenditure programme and demanding financial targets.

THE POSITION
- Analyse financial information and report on operating performance, budgets and forecasts of key business sectors.
- Prepare incisive consolidated management reports. Perform ad hoc project work as required.
- Part of a lean, highly skilled management accounting team. Regular exposure to business unit managers.

QUALIFICATIONS
- CIMA or ACA qualified accountant, aged 27-33, with experience from a tightly controlled group. Strong spreadsheet skills, ideally MicroControl.
- Confident, committed team player with initiative. First class interpersonal and communication skills.
- Sharp and enquiring mind. Diplomatic personality, able to establish credibility at all levels.

Please send full cv, stating salary, Ref M2984
NBS, 54 Jermyn Street, London SW1Y 6LX

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Strategic Development Manager

Young accountant to influence major growth programme

Yorkshire c. £30,000 plus car

A market leading manufacturer and distributor of building-related products, our client has plans for *ambitious growth both organically and by acquisition.* Part of a major British group and with a turnover in excess of £100m, the company has maintained an excellent profit performance in recent years and is well positioned, from a financial perspective, to achieve its growth objectives.

The newly created role of Strategic Development Manager will be fundamental to the future success of the business. Reporting to the Managing Director, the person appointed will be responsible for identifying and investigating opportunities for organic and acquisitive growth.

The priorities of the position will be to:

- analyse markets and specific companies to identify development opportunities;
- investigate the financial and commercial rationale of proposals and development opportunities;
- prepare necessary documentation and financial projections, identify key issues and propose alternative action where *appropriate.*

The position will require a unique blend of skills and experience. The successful candidate, probably aged late 20s to mid-30s, will be a qualified accountant, possessing strategic vision and first class analytical and investigative skills. Experience of one or more of the following accounting-related areas is essential: financial management consultancy, corporate finance or auditing. This experience should be combined with a broad commercial and business awareness. Candidates should be of graduate calibre, and a second degree or business qualification such as an MBA would be a definite advantage.

This is an outstanding opportunity to play a key role in the company's expansion programme, and future career prospects within this business or, indeed, the group are excellent.

GKRS

Please send a detailed CV, to GKRS at the address below, quoting reference number *92269N* and including details of current remuneration and availability.

SEARCH & SELECTION
PARK HOUSE, 6 KILLINGBECK DRIVE, YORK ROAD, LEEDS LS14 6UF. TELEPHONE: 0532 484848
A GKR Group Company

FINANCIAL CONTROLLER – SATELLITE SERVICES

Salary Package £45,000 + Car – Central London

Maxat Limited, a wholly owned subsidiary of France Câbles & Radio (part of the France Télécom Group), is currently the fastest expanding satellite services company in Europe. Having established itself via its state-of-the-art teleport at the ITN building in its chosen markets of broadcast services, corporate television and satellite data services in 1992, it is now in an explosive growth mode. Turnover is expected to double each year and exceed £12 million in 1994.

We are seeking a replacement Financial Controller to join a 5-person Management team. Direct reporting is to the UK Chief Executive and dotted line to France Câbles & Radio in Paris. You should be a graduate Chartered Accountant in the 30-40 age group, an exceptional *candidate, who can demonstrate a high level of achievement in a change environment.* We expect you to be a technically sound accountant and to show us that you can make a constructive contribution to business development whilst improving the current financial controls and enhancing the systems. A French speaker would be at an advantage.

MAXAT

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(Contracting Authority)

financed under the EC PHARE Financial Sector Development Programme

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The adviser must be a qualified Chartered Accountant or member of an equivalent professional body and must possess excellent knowledge and experience in the field of bank accounting. This experience may have been gained at a leading accounting or consulting firm specialising in bank accounting, and should include operations in foreign exchange, debt/equity swaps, capital market and interbank money markets, and financial instruments, including off balance sheet items such as swaps and options. Experience in inflation accounting and debt restructuring and evaluation would be considered desirable.

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Please write enclosing a full C.V., quoting reference P 9108-36, to Mr Waldemar Maj, President of the Foundation for the Development of the Financial Sector (Executing Agency), Ministry of Finance, ul. Swietokrzyska 12, 00-916 Warsaw, Poland.

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Candidates will be expected to demonstrate a knowledge of the funding framework within which universities in the United Kingdom and Northern Ireland operate.

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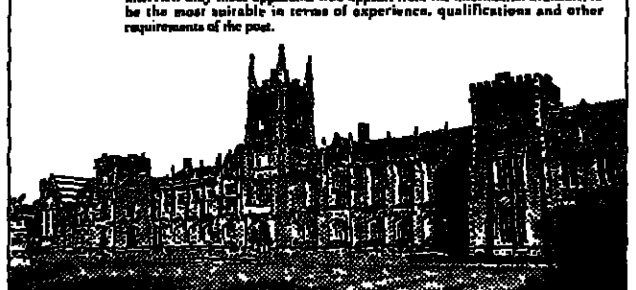
Further particulars of the post may be obtained from the Personnel Officer, The Queen's University of Belfast, University Road, Belfast BT7 1NN (Telephone 0232 245133 ext. 3038, or FAX (0232) 324944).

Applications accompanied by a full curriculum vitae together with the names and addresses of three referees should be submitted to the Vice-Chancellor at the above address by 6th September 1993.

The University is an Equal Opportunity Employer and welcomes applications from all sections of the community. The University reserves the right to interview only those applicants who appear, from the information available, to be the most suitable in terms of experience, qualifications and other requirements of the post.



The Queen's University of Belfast

FINANCIAL ACCOUNTANT

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A vacancy has arisen for a Financial Accountant who will be based at the company's head office in High Wycombe. Reporting to the Financial Controller you will be responsible for:

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- *Production of quarterly VAT returns and maintenance of VAT records.*
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- *Assistance with ad hoc tasks as requested by Financial Controller and Finance Director.*
- *Completion of statistical returns.*

You should hold a major accounting qualification and have at least three years' post-qualification experience in a Finance Department. A good working understanding of current VAT and taxation legislation would be beneficial, though a detailed knowledge is not essential.

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For a job description and application form please contact Pamela Flaxman, Personnel Officer, Camden and Islington Health Authority, 110 Hampstead Road, London NW1 2LJ. Tel: 071 383 4888.

Closing date for completed applications: Friday 6th August, 1993.

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Candidates, aged 32-42, should be graduate, qualified accountants, preferably experienced in an international, hi-tech, media or entertainments related environment. Clear commercial vision and excellent managerial and communication skills are essential. Familiarity with complex import/export operating systems and a second European language capability is highly desirable. This is a young, profitable, dynamic company, requiring total commitment and action rather than delegation.

Interested applicants should forward a comprehensive curriculum vitae, **quoting ref: 156918**, to **Mark Hurley ACMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

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UK Finance Manager

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This position is responsible to the European Finance Director for all UK corporate finance functions, including financial planning/analysis, statutory reporting, cash/treasury management and taxation. The primary function of the role will be to provide financial leadership and guidance to operating company management, managing a small team of high calibre professionals and ensuring excellence of financial performance throughout the company.

Candidates, aged 28-40, should be qualified accountants with a strong track record of achievement to date, preferably gained in an international company environment. Key personal qualities should include above average intellect, excellent communication skills and the presence and maturity required to make an immediate impact at the most senior levels of a major multi-national business.

Career development opportunities for the successful individual will be substantial.

Comprehensive relocation facilities are available where appropriate. Interested applicants should forward a comprehensive curriculum vitae, **quoting ref: 159252** to **Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

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As a key member of the management team, the Financial Controller will be expected to lead the further development of the finance function in its pursuit to achieve world class status. Significant emphasis will be placed on the ability of the candidate to co-ordinate total quality management in the department, placing emphasis on internal/external customer satisfaction as well as contributing to the commercial management of the business.

The successful candidate will be a qualified accountant, with a minimum of 12 years experience, who can demonstrate a proven track record in a manufacturing environment committed to the total quality management ethos. The company is going through a significant period of growth, therefore the ability to manage change will be a prerequisite. Excellent communication skills, high levels of drive and well developed leadership qualities will also be essential.

Interested applicants should forward a comprehensive curriculum vitae indicating salary aspirations and quoting **reference 158339**, to **Tony Gleeson BA CA at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.**

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Financial Director

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Reporting to the Managing Director, the brief will cover all aspects of management and statutory reporting as well as company secretarial duties. The successful candidate will also be expected to help in the implementation of a full suite of business control and administration systems, which will be capable of providing rapid, accurate information and analysis.

Candidates, aged 35+, will be qualified accountants with experience gained at executive level in a small to medium sized manufacturing subsidiary.

Applicants should be able to demonstrate a 'hands-on' approach to project management and the ability to contribute to the commercial success of the company. Experience of TQM will also be desirable.

Flexibility, commitment and excellent interpersonal skills are also prerequisites.

Interested applicants should forward a comprehensive curriculum vitae to **Tony Gleeson BA CA at Michael Page Finance, 190 Corporation Street, Birmingham B4 6QD. Please quote reference 158993.**

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Candidates, aged 27-32, should be profit orientated professionals with the ability to influence commercial decisions at the highest level, in a fast moving business. Suitable applicants will be currently employed in a financial planning/ corporate finance capacity within a large commercial concern, consulting house or 'Big 6' accountancy practice.

Interested applicants should forward a comprehensive curriculum vitae, **quoting ref: 159025**, to **Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

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- Providing technical material to the practice.
- Briefing partners and managers on technical issues.
- Maintaining the development of standardised procedures throughout the practice.
- Developing technical material for internal training courses.
- Maintaining our computerised optical image database.

This is a high profile role which demands excellent technical skills (ACA and/or licence holder) combined with strong interpersonal attributes and the ability to gain the respect of our partners and managers. Suitable candidates will be able to demonstrate broad knowledge of insolvency and have wide ranging practical experience, together with strong administrative skills.

Please send a curriculum vitae to Chris Nelson at our consultants, Michael Page Group, who have been retained to handle this assignment, at Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 071 831 2000.

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The successful candidate will be a fully qualified accountant, aged 26-32. As well as directly supervising your team and meeting corporate requirements, you will liaise closely with consulting staff and partners, supporting them in the management of a complex and dynamic business both in the UK and overseas. A high level of technical and systems ability is desirable.

Interested applicants should send a curriculum vitae to **David Bloch at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

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The successful candidate will be a qualified accountant (or possess an equivalent degree) with at least three years post qualification experience. You will demonstrate excellent analytical skills and respond to challenges with enthusiasm. You must be a team player with strong communication skills, able to liaise with senior management from disciplines other than finance.

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Interested applicants should send a full curriculum vitae to **Jo Baker** at **Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH. Please quote ref: 159595.**

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Oil price slips as Opec meeting is postponed

By Deborah Hargreaves

NORTH SEA oil prices slipped by 15 cents in late trading as Mr Jean Ping, Gabon's oil minister and current president of the Organisation of Petroleum Exporting Countries postponed its emergency meeting.

Mr Ping who had been holding talks in Jeddah with Saudi Arabia's oil minister Mr Hisham Nazer, said that the organisation had not had enough time for consultations before its meeting next Wednesday. He said the emergency meeting would be put off at least until the second week of August.

Opec called an emergency meeting on Monday after a sharp fall in prices on fears that Iraq was close to an accord with the United Nations that would allow it to supply $1.6bn-worth of oil or 500,000 to 600,000 barrels a day over six months. The market is already well supplied as most of Opec's members are producing more than their share of the overall ceiling.

However, Opec members have their hands tied in deciding a plan of action until they know the details of any Iraqi accord with the UN. Since Iraq's negotiators have not yet returned from Baghdad to New York, talks are unlikely to resume until next week.

The oil prices have risen on the back of the lull in the Iraqi talks and the scheduled Opec meeting, taking some of the pressure off ministers who feel that to meet before they know the full terms of an Iraqi deal would be worthless.

EC unveils plans to curb wine surplus

By Lionel Barber in Brussels

THE EUROPEAN Commission yesterday unveiled plans for curbing the European Community's growing wine lake, starting with a U-turn on its policy of using generous subsidies to encourage the distillation of surplus wine.

Mr Rene Steichen, EC farm commissioner, said the commission favoured measures to prevent surpluses, such as higher premiums to dig up vineyards and the reduction of sugaring, which farmers use to produce higher yields.

Mr Steichen's new policy comes in response to falling wine consumption and higher yields in Europe and tougher competition from cheap imports from Latin America and eastern Europe.

The EC's current wine surplus is about 22m hectolitres. The commission initiative is intended to complement the common agricultural policy reform of 1992, which aims to reduce excess cereal production and to curb export subsidies.

Mr Steichen forecast that, on present trends, without reforms, the EC wine surplus would expand 40m hectolitres by the year 2000. Only 15m hectolitres could be disposed of by distillation, he said.

"There is too much wine," he told a news conference, "the reduction of the area of cultivation is more than offset by the increase in yield and the decrease in consumption.

Mr Steichen expressed dissatisfaction with the earlier EC policy of encouraging distillation of excess wine. This encouraged fraud and increased the incentive for farmers to over-produce because EC subsidies made this profitable.

As a result, the commission intended to reverse the thrust of its present aid programme, the commissioner said.

In 1993, the EC is expected to spend Ecu1.6bn (£1.2bn) supporting the wine market, some Ecu900m of which will be used to drain off the so-called wine lake.

Under the new regime, the Commission intends to use the bulk of its budget to prevent surpluses rather than to dispose of them. Dissuasive measures such as compulsory distillation will be reinforced with national quotas and lower prices.

The commission adopted Mr Steichen's proposals at a meeting in Brussels yesterday. The next step is to seek approval from the Council of Ministers from the 12 member states.

The EC's wine surplus was estimated at 37m hectolitres in 1992-93 on a harvest estimated at 192.7m hectolitres. Mr Steichen declined to forecast the 1993-94 wine harvest.

Although some 50,000 hectares of vineyards a year are being dug up under EC-funded schemes, mostly in Italy, France and Spain, the vines are often the oldest and least productive.

Russia lifts farmers' grain prices

By John Lloyd in Moscow

THE RUSSIAN government yesterday agreed to pay their farmers Rbs60,000 ($60) a tonne for state grain purchases this year – a 25 per cent rise on their previous offer of Rbs45,000 a tonne but well short of the farmers' demand of Rbs110,000 a tonne. However, Mr Victor Chernomyrdin, the prime minister, said the price should be indexed to inflation, according to the official news service Itar Tass.

Tass quoted Ms Lira Rozenova, head of the state pricing committee, as saying that food prices would go up 1.7 times if grain were bought at Rbs50,000 a tonne and 2.5 to 3 times at Rbs100,000 a tonne.

The government is relatively optimistic on this year's harvest, forecasting a substantial rise on last year's 106m tonnes. Mr Victor Khlystun, the agriculture minister, said in Moscow earlier this week that the yield was higher this year and the harvest might be as high as 110m tonnes.

On government figures, some 2m hectares have been harvested so far, 1m ha down on the same time last year. So far 7.1m tonnes have been threshed, down 1.7m.

Russia bought some 25m tonnes of grain from abroad last year, and ministers are hoping that it will be less this year. Mr Khlystun told the cabinet yesterday that, "given favourable conditions", purchases should be limited to soyabeans and maize.

Norway takes first, wary steps towards EC

Sentiment is still tilted in favour of the anti-accession faction, writes Karen Fossli

EARLIER THIS month Norway submitted two of its three most crucial position papers – fisheries and agriculture – to Brussels, kicking off an arduous process of negotiations to accede to membership in the European Community.

Norway's economy is healthy and it possesses a base of natural resources – fish, oil and natural gas – which would allow the community to become more self-sufficient and diversified in these areas.

So-called exploratory talks on fisheries have been held between Oslo and Brussels but negotiations on that sensitive issue and another, agriculture, will not begin in earnest until after Norway's general elections on September 13 are out of the way.

"The outcome of negotiations in this area [fisheries] will play a decisive role in determining public attitude on Norwegian accession to the community," says Mr Jan Henry T. Olsen, the fisheries minister.

Mrs Gro Harlem Brundtland, the prime minister, has given a virtual veto on the EC issue to Mr Olsen, who has a strong anti-EC record. The minister says he can only recommend membership to the electorate if Norway's demands on fish are met.

The third most important issue in the negotiations is energy. Norway, western Europe's biggest oil producer and the third biggest supplier of natural gas to the community, has not yet spelled out energy demands in a position paper. It has expressed strong disapproval of the community's plans to introduce an oil and gas licensing directive when Norway is struggling to convince a resistant electorate of the benefits of EC membership.

Mrs Brundtland said recently that the Oslo government did not view the proposal as a very positive move. "The situation reminds us of 1972 when the EC adopted a fisheries policy shortly before Norway was going to make the decision on whether or not to become a member of the community. That move in itself had a considerable impact on the Norwegian referendum."

More than 80 per cent of Norway's petroleum exports and all of its natural gas make their way to the community, accounting for 15 per cent of the EC's total supply of oil and gas.

After twice having membership applications rebuffed in 1961 and 1967, Norwegian voters rejected entry in 1972. Sentiment on accession is still tilted in favour of a robust anti-EC faction.

In Norway's two position papers, it has demanded special arrangements for fisheries and agriculture to help ensure its policy of strategic distribution of population is maintained. Any changes in community policy on issues that would affect Norway should be postponed until the country makes up its mind on membership, Norway says.

On fisheries, Norway believes it is important that it be allowed to continue its management regime, which ensures adequate control and sustainable management of all marine resources and aquaculture activities, minke whales notwithstanding.

Repeatedly Mr Olsen has warned Brussels that Norway has no fish to give away. But under the European Economic Area trade pact between the EC and the European Free Trade Association, of which Norway is a member, Norway has agreed to a gradual escalation of fishing quotas to the community for cod, which will reach 11,000 tonnes by 1997, under the regime.

Brussels officials say there were no surprises in Norway's position paper on fisheries, but there is a view that it may be "preachifying" on the issue. The present annual volume of exchanges of fish quotas between Norway and the EC are up to 300,000 tonnes each way. In Norway's view, the principle of relative stability constitutes an essential means of ensuring a satisfactory quota system. It also wants the 12-mile coastal zone to be maintained at least until 2002.

Norway wants arrangements to ensure that fishing entitlements remain at the disposal of the member states to which they have been allocated. It is also demanding free access to EC markets for all its fish and fish products from the date of membership, planned from January 1, 1995.

The country has some 27,000 fishermen and exports about NKr16bn (£1.45bn) worth of fish a year. Officials estimate that free access to the EC market could save Norway's fishing industry about NKr300m a year. Mr Olsen has expressed concern over EC fishermen seeking to gain access to Norway's fish by buying up the country's fishing fleets. He points out deficiencies in the the EC's resource management regime and urges Brussels to improve measures on monitoring and control.

"Given the extent and importance of her fishing industry, Norway will have to play a major role in the development of the [community's] common fisheries policy," he says.

On agriculture, Mrs Gunhild Oeyangen, Norway's agriculture minister, says that Norway is not seeking derogations from the community's rules, but special arrangements will be required to ensure that the EC's common agricultural policy is adopted effectively by Norway. Last February Norway's parliament approved new guidelines for agricultural policy to promote a more market-orientated sector through cost-efficient use of capital and resources while pursuing a balance between supply and demand.

Norway's main problem in this area is that its producer prices are twice as high as those in the community, partly because it insists on maintaining an agricultural structure capable of ensuring the viability of rural communities in all parts of the country.

Mrs Oeyangen says that adjustment to the present EC price and acreage support level would involve a considerable drop in income by grain producers. "If farmers in these areas turn to livestock production, this would have serious negative consequences for farmers already engaged in livestock production in other areas," she warns.

Because of this Norway is demanding "special solutions" to keep areas from lying fallow. "An adjustment to the EC price level will require transitional arrangements," Mrs Oeyangen says. Community officials view Norway's position on agriculture as not comprising an insurmountable obstacle and have suggested that the common agricultural policy will have to be examined thoroughly to see how it could benefit Norway.

"We need to identify what gap would be left in funds to Norway when it complies to the CAP," they say. "Will new measures be required; will the use of other EC funds be possible; will aspects of the competition policy be able to benefit Norway?"

However, on energy Norway is stalling on signing the European Energy Charter for co-operation with central and eastern European countries until it is given assurances by the community that it can retain its sovereign right to ownership its oil resources.

"There should be room for such a policy in an all-European, broad-based multilateral arrangement. If so, Norway for its part would be able to conclude the European Energy Treaty negotiations," Mrs Brundtland said recently.

'Abyss looms' as tin hits fresh 20-year low

By David Blackwell

THE NIGHTMARE for tin producers worsened yesterday as prices on the London Metal Exchange fell to fresh 20-year lows. The move followed a decisive break through $5,000 a tonne – below most mines' production costs – for three-month metal on Wednesday. Overnight the price fell to a low of M$12.50 a kilogram in Kuala Lumpur, where traders blamed selling from China and Brazil, high stock levels and no consumer interest.

Three-month tin closed last night at $4,955 a tonne, down $20 on the day and $92.50 on the week. At the beginning of the year the price was above $6,000 a tonne.

Analysts painted a bleak picture for tin yesterday. "The abyss looms," said one, while another described the market as "on its knees".

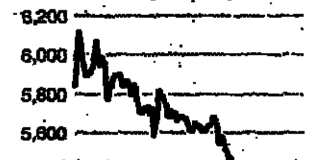
Stocks in LME warehouses stand at 20,415 tonnes, about 100 tonnes below recent highs. But worldwide stocks are estimated at a total of 40,000 tonnes, the highest level since 1986, not long after the International Tin Council's collapse left 100,000 tonnes of stock overhanging the market.

Mr Fidelis Madavo, analyst with Commodities Research Unit, estimates consumption this year at about 180,000 tonnes, which puts the stocks at around 12 weeks of supply. "Demand is very weak and supplies are strong," he said yesterday. In addition to Brazil and China, Vietnam has emerged as a seller, while scrap is coming out of Russia.

At these levels some weak producers could be forced to call it a day, he suggested, then the market might be able to form a base.

● London Metal Exchange turnover rose by 46 per cent last year following a 27 per cent rise in 1991. Mr Raj Bagri, chairman, in the LME financial statement for 1992, described the rise – for the sixth successive year – as "heartening" since the base metals industry had suffered more than most in what had proved to be a difficult trading year. However, exchange income fell back to £4.36m from £4.54m in 1991, while pre-tax profits retreated to £1.05m from £1.41m.

Tin



Source: Datastream

Anglo reduces gold hedging

By Philip Gawith in Johannesburg

ANGLO AMERICAN Corporation, the world's largest gold producer, yesterday disclosed for the first time detailed information about the extent of its hedging operations.

Mr Clem Sunter, chairman of Anglo's gold and uranium division said there were two reasons for this change of stance: the group had achieved its hedging targets, and it was no longer heavily involved in the market, and had not been since April. As a result, he said, shareholders' interests would no longer be prejudiced by the release of such information.

Mr Sunter's announcement follows a similar declaration earlier this week by JCI, which has not previously disclosed details of their hedging operations, and greater disclosure from Gengold. Both Gengold and JCI said they were responding to heightened shareholder interest in the extent of a mine's forwards sales following the recent surge in the gold price.

Figures released by Anglo – which produces about 270 tonnes of gold a year – show that its producers have, in the year to June 1994, sold forward 24-39 per cent of their production, at average prices ranging from R37,800 to R40,800 a kilogram. The gold price is now just under R42,000 a kilogram. Slightly lower portions of production have been sold forward in the year to June 1995, generally in the R40,000-45,000 a kilogram bracket. Smaller portions again have been sold in the year to June 1996.

Mr Sunter highlighted two main achievements of the hedging programme to date. First, it had kept marginal areas going at full production. He said this accounted for about 50 tonnes of gold annually. Second, it had helped keep all the group's major capital expenditure projects on track by ensuring that they had suitable tax shields. This accounted for about 60 tonnes of annual production. Hedging had thus served as an insurance policy to keep 110 tonnes a year of production in place, protecting 70,000 jobs in the process. Mr Sunter said that even if the gold price rose, he felt very happy to have secured 110 tonnes of production, worth about R4.4bn at current prices.

Looking ahead, he said that now that the group had moved from the "low to the middle playing field", it would be securing forward positions on a lower percentage of its production. Previously Anglo has said that it would never have more than 50 per cent of production hedged at any one time. Mr Sunter added, however, that the group had no intention of buying back its outstanding positions.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD was fixed in the afternoon only 15 cents a troy ounce higher than its morning setting on the London bullion market, reflecting a minor rally after speculative selling on the Comex opening. It was fixed at $389.15 a troy ounce after the market had tested the key $388 support level, before buying on the dips lifted prices back above $390. After its sell-off the previous night, New York opened with speculator selling and prices quickly fell, putting the second key support at $385 apparently under threat. Dealers cited higher than expected US jobless claims adding to the speculators' already nervous disposition. New York **COFFEE** prices were higher at midsession. Analysts said that a lack of follow through to an early breach of 71 cents was seen as positive and sparked mixed covering of short positions assumed on the recent slip from eight-month highs. **ALUMINIUM** prices showed some downside resilience on the LME, against a growing perception that the long down-trend is over. Dealers said the imminent expiry of the labour contract at Alcan's Kitimat smelter might not lead to an immediate strike.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.15-4.18u	-.445
Brent Blend (dated)	$16.53-6.62	-0.25
Brent Blend (Sep)	$16.45-6.55	-0.35
W.T.I (1 pm est)	$17.48-7.52u	-0.40
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$185-197	-1
Gas Oil	$159-160	+1
Heavy Fuel Oil	$59-61	
Naphtha	$159-161	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$390.5	+0.1
Silver (per troy oz)♣	468.5	-5.0
Platinum (per troy oz)	$396.25	-8.00
Palladium (per troy oz)	$137.50	-1.00
Copper (US Producer)	90.0c	+0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.50m	-0.12
Tin (New York)	227.5c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	132.48p	-3.88*
Sheep (live weight)†♠	81.08p	-6.30*
Pigs (live weight)†	78.04p	-5.44*
London daily sugar (raw)	$255.0	-2.6
London daily sugar (white)	$265.0	-2.5
Tate and Lyle export price	£279.5	-1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	Unq	
Wheat (US Dark Northern)	£147.0	
Rubber (Aug)♥	58.50p	-0.25
Rubber (Sep)♥	59.00p	-0.25
Rubber (KL RSS No 1 Jul)	208.0m	
Coconut oil (Philippines)§	$465.0v	-7.5
Palm Oil (Malaysian)§	$377.5t	+2.5
Copra (Philippines)§	292.5c	
Soyabeans (US)	£210.0y	-2.0
Cotton "A" index	58.10c	+0.15
Wooltops (64s Super)	348p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low	
Oct	263.10	262.20	263.10	260.50
Mar	267.50	268.20	267.50	264.50

White 301 (852) Paris- White (FFr per tonne): Oct 1537.29 Dec 1549.47

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low	
Sep	16.52	16.61	17.03	16.48
Oct	16.64	16.89	17.15	16.64
Nov	16.97	17.15	17.25	16.87
Dec	17.08	17.31	17.36	17.06
Jan	17.23	17.41	17.47	17.19
IPE Index	16.76	16.81		

Turnover 33798 (35460)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low	
Aug	158.75	157.50	160.00	157.75
Sep	159.50	158.00	161.00	158.50
Oct	161.75	161.75	163.50	161.00
Nov	163.50	163.50	165.25	163.25
Dec	166.00	166.00	167.50	165.25
Jan	167.25	167.50	168.75	166.75
Feb	167.50	168.00	169.25	167.25
Mar	167.00	167.50	168.00	
Apr	165.50	166.75	166.25	166.00

Turnover 13777 (9578) lots of 100 tonnes

FRUIT & VEGETABLES
Spania Galia melons are this week's best buy, priced at 60-99p (60-75p), depending on size. Other good fruit buys include strawberries at £1.00-£1.65 (£1.00-£1.65) a lb punnet; Spanish, French and Italian peaches at 18-25p each (18-25p); nectarines at 20-25p (20-25p). The English primo summer cabbage is this week's best vegetable buy, priced at 25-30p a lb (30-35p). Broccoli at 55-70p a lb (55-70p) and English, French and Spania carrots at 15-22p a lb (18-20p) are also good vegetable buys. Cucumbers are excellent and are this week's best salad buy at 45-55 each (50-70p). (NB last week's prices shown in brackets).

COCOA - LCE (£/tonne)

	Close	Previous	High/Low	
Jul	748	752	756	750
Sep	757	760	767	755
Dec	765	770	777	763
Mar	777	784	791	776
May	790	793	800	787
Jul	799	801	805	803
Dec	817	824	825	825
Mar	827	834	839	828
May	835	846	853	

Turnover: 3150 (2900) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 21 777.78 (774.17) 10 day average for Jul 22 772.00 (769.81)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low	
Jul	977	972	975	965
Sep	1000	997	1000	990
Nov	1009	1003	1009	998
Jan	1006	1000	1006	998
Mar	1004		1005	997
May	1003	1001	1002	1000

Turnover: 1906 (1978) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 21 Comp. daily 61.02 (61.38) 15 day average 59.46 (58.99)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low	
Apr	90.1	91.8	92.5	90.0
May	99.1	98.0	99.1	98.0

Turnover 81 (39) lots of 20 tonnes.

SOYAMEAL - LCE (£/tonne)

	Close	Previous	High/Low
Dec	181.00		181.00
Feb	181.00		182.00

Turnover57 (0) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low	
Jul	1338	1335	1335	
Aug	1290	1309	1300	1288
Sep	1335	1342	1335	1330
Oct	1375	1390	1380	1375
Nov	1385	1398	1390	1385
Jan	1400	1411	1401	1400
BFI	1353	1356		

Turnover 168 (136)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Sep	106.75	106.80	106.80	
Nov	108.15	108.25	108.25	108.15
Jan	110.40	110.50	110.50	110.35
Mar	112.45	112.55	112.55	112.45
May	114.50		114.60	
Barley	**Close**	**Previous**	**High/Low**	
Nov	105.25	105.25	105.50	105.20
Jan	107.60	107.80	108.00	107.60
Mar	109.60		109.75	

Turnover: Wheat141 (90), Barley 39 (124).
Turnover lots of 100 Tonnes.

PIGS - LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	102.8	102.6	102.8
Oct	103.5	103.8	103.5

Turnover:17 (24)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 29,807 lots	
Cash	1198-9	1197-8		1193-4		
3 months	1221-2	1221-2	1224/1215	1217-7.5	1219-9.5	n/a lots
Copper, Grade A ($ per tonne)					Total daily turnover 38,763 lots	
Cash	1909-10	1896.5-7.5	1909-1892	1892-2.5		
3 months	1910-1	1904-5	1910-1896	1900.5-1.0	1903-4	n/a lots
Lead ($ per tonne)					Total daily turnover 2,091 lots	
Cash	392-3	389.5-90.5		390.5-1.0		
3 months	405-6	403-3.5	405/404	404-4.5	404-4.5	n/a lots
Nickel ($ per tonne)					Total daily turnover 5,722 lots	
Cash	4845-55	4880-5		4805-10		
3 months	4900-10	4934-40	4910/4880	4866-7	4880-90	n/a lots
Tin ($ per tonne)					Total daily turnover 1,154 lots	
Cash	4900-10	4915-25	4882	4863-5		
3 months	4950-60	4970-80	4970/4900	4910-20	4945-50	n/a lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 11,831 lots	
Cash	928.5-7.5	936.5-7.5	925/924	924-4.5		
3 months	943-3.5	953-4	954/940.5	940-1.0	941-2	n/a lots

LME Closing £/$ rate: SPOT: 1.5075 3 months: 1.4971 6 months: 1.4892 9 months: 1.4822

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	390.25-390.75	
Opening	389.90-390.30	
Morning fix	389.00	257.326
Afternoon fix	389.25	256.895
Day's high	391.00-391.50	
Day's low	387.25-387.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.62	6 months	2.62
2 months	2.61	12 months	2.64
3 months	2.62		

Silver fix	p/troy oz	US cts equiv
Spot	326.45	483.75
3 months	331.20	497.40
6 months	335.90	501.80
12 months	345.10	511.00

GOLD COINS

	$ price	£ equivalent
Krugerrand	390.00-393.00	258.00-261.00
Maple leaf	402.30-404.80	-
New Sovereign	92.00-95.00	60.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	38	64	5	18
1200	19	49	13	27
1225	8	36	27	39
Copper (Grade A)	**Calls**		**Puts**	
1900	38	80	30	76
1950	17	59	59	103
2000	6	42	98	138
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	151	167	1	8
900	105	127	5	18
950	66	92	16	33
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	42	65	10	26
750	26	50	19	35
775	16	38	34	48
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1700	32	47	47	53
1750	17	40	75	98
1800	8	13	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	391.1	389.2	0	0
Aug	392.3	389.5	391.5	387.6
Sep	393.5	390.5	388.5	388.5
Oct	395.6	391.7	393.7	389.6
Dec	397.6	393.8	395.8	391.6
Feb	399.6	395.7	397.7	394.1
Apr	401.5	397.6	0	0
Jun	403.4	399.5	401.5	399.2
Aug	405.8	401.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	405.8	403.0	0	0
Oct	405.8	403.0	406.0	397.0
Jan	406.9	404.2	407.0	398.0
Apr	407.9	405.0	402.0	402.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	499.6	494.5	501.0	495.0
Aug	500.4	495.4	491.0	491.0
Sep	501.5	496.5	509.5	485.0
Dec	506.6	501.6	509.0	489.0
Jan	507.2	502.2	0	0
Mar	511.7	506.7	514.0	495.0
May	515.6	510.6	513.5	509.5
Jul	519.1	514.1	516.5	514.0
Sep	522.9	517.9	0	0
Dec	528.6	523.6	527.0	520.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	84.05	83.70	84.30	83.70
Aug	84.20	83.85	84.50	83.90
Sep	84.55	84.20	84.90	84.00
Oct	84.65	84.30	84.75	84.65
Nov	84.85	84.45	0	0
Dec	84.85	84.56	85.10	84.40
Jan	85.15	84.75	0	0
Feb	85.35	84.95	0	0
Mar	85.55	85.15	85.60	85.35
Apr	85.70	85.30	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.49	17.93	18.04	17.46
Oct	17.78	18.20	18.31	17.75
Nov	18.00	18.39	18.49	18.00
Dec	18.19	18.54	18.65	18.17
Jan	18.35	18.66	18.69	18.31
Feb	18.46	18.79	18.57	18.46
Mar	18.55	18.87	18.95	18.54
Apr	18.60	18.94	18.94	18.60
May	18.66	19.01	18.77	18.66
Jun	18.72	19.08	19.11	18.72

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	49.65	50.17	50.65	49.45
Sep	50.30	51.09	51.35	50.30
Oct	51.40	52.16	52.40	51.40
Nov	52.55	53.31	53.70	52.55
Dec	53.65	54.41	54.75	53.70
Jan	54.50	55.21	55.20	54.50
Feb	54.90	55.46	55.80	54.90
Mar	54.20	54.86	54.80	54.30
Apr	53.15	53.76	54.00	53.50
May	52.70	52.91	52.90	52.70

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	953	981	991	943
Dec	988	1014	1023	985
Mar	1019	1046	1053	1015
May	1039	1066	0	0
Jul	1059	1086	0	0
Sep	1079	1106	0	0
Dec	1099	1128	1094	1094
Mar	1120	1147	1129	1129
May	1138	1165	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	72.90	71.70	73.70	70.70
Dec	75.35	74.15	76.00	73.75
Mar	77.40	76.20	77.80	76.30
May	78.60	77.60	78.70	78.70
Jul	80.00	79.00	0	0
Sep	81.75	80.45	0	0
Dec	84.50	84.50	84.50	84.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.61	9.67	9.68	9.55
Mar	9.92	9.90	9.98	9.82
May	10.04	9.98	10.06	9.98
Jul	10.03	9.98	10.10	10.00
Oct	10.07	9.85	10.07	9.95

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	61.05	61.80	61.20	59.90
Dec	62.35	62.86	62.50	61.31
Mar	63.58	63.95	63.70	62.65
May	64.30	64.69	64.03	63.60
Jul	64.80	64.97	64.30	64.10
Oct	63.32	62.60	0	0
Dec	62.45	62.82	62.35	61.80*

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.75	119.05	119.80	118.05
Nov	121.70	122.00	123.00	121.30
Jan	123.00	123.40	124.00	122.90
Mar	125.00	125.40	125.00	124.90
May	126.50	126.45	125.75	125.75
Jul	126.50	126.45	0	0
Sep	123.50	123.45	126.00	126.00
Nov	123.50	123.45	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul.22	Jul.21	mnth ago	yr ago
1704.4	1701.9	1672.4	1573.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.21	Jul.20	mnth ago	yr ago
Spot	122.64	123.04	120.29	118.06
Futures	127.86	126.15	120.49	119.39

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	729/4	719/2	730/0	717/4
Sep	730/2	719/6	731/0	719/0
Nov	731/0	721/0	732/0	719/0
Jan	733/2	722/0	733/4	722/4
Mar	733/2	724/0	733/4	724/0
May	733/2	723/4	733/4	722/0
Jul	733/2	721/6	734/0	722/0
Aug	718/0	711/0	718/0	713/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	24.60	24.44	24.67	24.33
Sep	24.73	24.56	24.75	24.45
Oct	24.85	24.70	24.94	24.60
Dec	25.09	24.86	25.15	24.73
Jan	25.15	24.90	25.15	24.86
Mar	25.20	24.98	25.20	24.90
May	25.25	24.97	25.25	24.90
Jul	25.17	24.98	25.25	24.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	235.6	231.8	235.7	230.8
Sep	233.8	229.9	234.0	229.2
Oct	232.7	228.8	233.0	228.0
Dec	232.7	228.8	233.0	228.0
Jan	231.4	228.0	231.4	227.0
Mar	230.2	226.0	230.5	226.5
May	228.0	225.0	228.0	223.0
Jul	224.0	221.5	224.0	222.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	242/4	240/4	242/6	239/6
Dec	251/6	249/4	252/0	249/0
Mar	258/6	257/0	259/0	255/6
May	263/0	261/0	263/0	261/0
Jul	264/0	261/6	264/0	262/0
Sep	251/0	249/6	252/0	250/4
Dec	243/4	243/2	245/2	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	311/6	310/6	312/4	308/6
Dec	321/4	320/4	322/4	0
Mar	325/4	324/6	326/4	323/4
May	322/0	321/0	322/6	320/0
Jul	309/0	309/4	0	307/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.475	72.525	73.550	72.600
Oct	73.375	72.800	73.450	72.700
Dec	74.975	74.350	75.000	74.350
Feb	75.325	74.700	75.350	74.800
Apr	76.400	75.800	76.450	75.900
Jun	73.150	72.750	73.375	72.800
Aug	72.150	71.775	72.250	72.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	47.525	47.150	47.800	47.300
Aug	47.500	46.975	47.600	46.900
Oct	43.800	43.575	43.875	43.350
Dec	45.500	45.550	45.625	45.275
Feb	45.875	45.860	46.050	45.850
Apr	44.850	44.900	44.900	44.650
Jun	49.850	49.900	50.050	49.800
Jul	48.900	48.925	49.000	48.900

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	40.850	41.900	41.800	40.250
Aug	40.000	41.125	41.250	39.500
Feb	49.475	49.750	49.750	49.000
Mar	49.100	48.700	49.150	48.600
May	50.500	50.500	0	0
Jul	51.000	49.000	51.000	0
Aug	51.200	50.250	51.200	49.000

Shares firmer after nervous session

By Terry Byland,
UK Stock Market Editor

TURMOIL in the ERM currencies came to the aid of a London stock market otherwise overshadowed by uncertainty ahead of the UK parliamentary debate on the Maastricht legislation which continued long after the stock market closed yesterday.

With UK government bonds rallying in late dealings as sterling advanced, share prices edged higher at the end of an erratic trading session. However, the six-point gain in the FT-SE 100 Index owed much to a rally in the oil and pharmaceutical sectors, with the rest of the market lacking direction.

Dealers stressed that the market was lethargic for most of the session, and that the big institutions were disinclined to trade ahead of the Maastricht debate. Shares opened firmly, encouraged by a record close on the Dow Industrial Average overnight which was translated into gains in the battered pharmaceutical sector and to a firm start in stock index futures.

But most share gains served to attract immediate profit-taking and the stock market soon reacted to initial weakness in the bond market. By *early afternoon, London, also* discouraged by signs of a slow start on Wall Street, was down by 2.2 to a Footsie reading of 2,811.9.

There were further signs that the institutions, while keeping a low profile, were not averse to selling stock if they could. The day's Seaq volume rose to 531.8m shares from Wednesday's 554m, when retail, or customer, business remained high at £1.33bn.

The rally in the bond market *provided the encouragement* for a similar move by equities. At the final reading, the FT-SE Index showed a gain of 6.0 at 2,820.1. The FT-SE Mid 250 Index, covering a broader range of UK stocks, recaptured an important benchmark to close 5.1 higher at 3,200.5 as interest in second line stocks revived.

Sterling's firmness, which would not long ago have been seen as a prop for cutting domestic interest rates, was regarded with mixed feelings in equities, where this week's fresh evidence of recovery in the UK economy, has been seen as reducing the likelihood of an early rate cut.

"A further rise in sterling would weaken profit growth," commented Marcus Grubb at Salomon Brothers, rounding up the factors causing him to downgrade his six month target for the Footsie to 3,000; the other factors include a bias towards fiscal tightening under the new chancellor of the exchequer, poor corporate dividend growth and the weakness of Mr Major's government. However, Mr Grubb is holding his twelve-month Footsie target at 3,200.

The stock market's concern over the domestic politial scene now encompasses not only the outcome of last night's crucial parliamentary debate but also the challenge to Maastricht pending in the UK courts and also the likelihood of a drubbing for the government at next week's by-election at Christchurch, in Dorset.

Across the broad range of UK equities, the store and consumer sectors, restrained by uncertainty over outlook for profits, made only a modest response to this week's indication that economic recovery continues to boost spending in the high street. The brightest *features came among the international* blue chips.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Jul 5	Jul 19	Aug 2
Option Declarations:	Jul 15	Jul 29	Aug 12
Last Dealings:	Jul 16	Jul 30	Aug 13
Account Day:	Jul 26	Aug 9	Aug 23

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2820.1 +6.0 | FT-SE MID 250 3200.5 +5.1 | FT-A ALL-SHARE 1399.44 +2.69

US alert boosts Tiphook

COMMENTS from the US that shares in container rental group **Tiphook** were undervalued, making the company a possible bid target, inspired hectic dealing in the stock on both sides of the Atlantic and sent the share price sharply higher.

Takeover talk started after a US fund manager suggested on a television programme that the recent slide in the company's shares could lead to a bid *at a minimum of $20. This* started strong trading in Tiphook's American Depositary Receipts in New York.

In London the shares jumped *50 to 247p* at one stage in active trading as speculation of a bid mounted, forcing the company to issue a statement that it was not in takeover talks, nor in financial difficulties. It said it would pay its year-end dividend as announced earlier this month.

Shares in Tiphook had fallen sharply from around the 344p level just ahead of its results on July 14, and weakened further following its report of a loss after changes in accountancy practice. The company had aleady issued a profits warning in April which prompted a heavy setback in the shares.

Analysts in London expressed doubt that a bid was in the offing but believe the *net asset value of the company* to be around £4 a share. Mr Ian Wilde at BZW said the current share price remains "a poor reflection of the long term value of the company".

Profit-taking saw the shares come off the top yesterday to finish 47 up at 244p after strong trade of 2.5m.

However, doubts remain in some quarters about the long-term strength of the share price, given recent worries about its trading performance.

Wellcome news

News that **Wellcome** had won a US court case to protect its patent on its top-selling anti-Aids drug Retrovir sent the shares smartly forward. The company had been challenged by a rival bio-tech company, Barr Laboratories, over which organisation owned the patent to Zidovudine, the laboratory name for Retrovir.

While the positive outcome *for Wellcome had been widely* expected by pharmaceutical specialists, the publicity surrounding the case had been adversely affecting market sentiment. Mr Nigel Barnes at Hoare Govett commented: "Any uncertainty over this patent challenge has now been lifted." However, he added that Wellcome, together with the rest of the drugs sector, still faces an uncertain period ahead of the US healthcare reforms due in September.

Wellcome, which yesterday also announced the retirement of its chairman on the grounds of ill-health, surged 29 to 641p in turnover of 3.5m. After several weak sessions, other healthcare stocks also bounced. **Zeneca** firmed 4 to 599p, as did **SmithKline Beecham**, to 425p. Embattled Medeva advanced 6 to 108p, and Glaxo was 13 higher at 534p on US buying.

TSB pull

A combination of favourable and unfavourable news for banking group **TSB** led to a two-way pull in the shares which brought volume of 4.2m by the close. The stock was finally unchanged after tracing an erratic pattern.

The bank surprised the market by announcing that talks on setting up a joint venture company with National & Provincial Building Society to manage TSB's estate agents business had been terminated. The company cited differences *of opinion between the two* parties.

Mr Martin Green at Smith New Court said the calling off of talks with National & Provincial was "a marginal set back in TSB's attempts to refocus its business."

This was however countered by reports that TSB was to sell Swan National Leasing, *its car* leasing and contract hire firm, to Midland Bank.

In the drinks sector, the rumoured shareholder rebellion at the Greenalls egm failed to muster the support needed to oppose the purchase of J.A. Devenish. Dissident investors had complained that the £214.3m bid, valuing Devenish at 394.5p a share, was too high. However, the bid was duly approved. Greenalls put on 3 at 352p, while Devenish was steady at 360p.

Guinness flinched as Kleinwort Benson downgraded its profits forecasts for the group and renewed its negative stance. The broker cut by £18m to £947m for the current year, and £28m to £1.032bn for the following year. Analyst Mr David Thompson blamed a combination of weak beer sales in Malaysia, general restructuring costs and the failure of price increases in the UK to hold. He added that the shares were unlikely to begin to outperform for another 18 months.

Several stocks in both the engineering and aerospace sectors benefited from a weighty review from Panmure Gordon on the UK defence white paper.

The agency broker's buy list included British Aerospace, which shook off recent worries about the funding of its regional jets joint venture venture with Taiwan to end 8 ahead at 396p after 4.1m traded. GEC was another of the stocks recommended by Panmure and finished 5 up at 334p on volume of 4.9m.

Its sell list included **Rolls-Royce** and **Vickers**, both of which closed lower, the former ½ lighter at 137½p and the latter a penny easier at 148p.

Turnover in **British Steel** rose to 12m and the shares moved up 4½ to 107p, with James Capel said to have been positive on the stock.

Engineering group **Bullough** fell 8 to 111p after announcing a fall in first-half profits to £500,000, from £5.89m last time. Profits were hit by £4.67m in restructuring costs, although *the dividend remained at 1.75p.*

An analysts visit saw hotelier **Stakis** advance a penny to 57p. **Rank Organisation** continued friendless following the recent results and dividend policy change. The shares dropped 8 to 707p.

Food retailers continued under a cloud following the raft of downgradings on Tuesday. Tesco slipped 3 to 199p and **Argyll Group** 4 to 291p.

Cadbury-Schweppes rebounded against brand name fears which have hung over the stock in recent sessions. The shares advanced 4½ to 437½p. Unilever, which had *been under similar pressure*, gained 5 to 952p.

A warning that magazine launches would impact on profits nudged 2 off the shares of **Emap** which closed at 338p. However, the chairman's statement at the agm was upbeat about future trading.

Some recovery was made in the stock of **Hartstone**, the hosiery and leather goods group, ahead of the posting of accounts and reports to shareholders. There was also market talk of a persistent buyer. The share price moved up 4 to 49p.

Electricity utilities saw lively trading as their appeal as a defensive stock *held*. Eastern moved up 3 to 485p, London 2 to 493p, **Northern** 2 to 523p and **Southern** 3 to 492p. Norweb was the top performer with an increase of 9 to 530p – its attraction coming from its being the only rec that remains cum-dividend. A couple of the stocks showed slight slips – most likely as money was switched into Norweb, said one market watcher.

National Power lost 5 to 351p and **PowerGen** gave up 7 to 372p, as worries on the review of the pool price continued. Some of the loss was also put down to profit-taking.

The fortunes of **Regalian Properties** rallied a little on reports that it had sold its luxury Palace Green flats in central London. The share price went up 2 to 19½p.

A squeeze in **Dixons** left the shares 10 ahead at 210p.

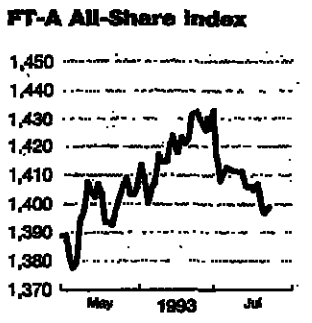
Computer software producer **Sage Group** rallied after both NatWest Securities and UBS said that the previous session's fall – from 504p to 385p – had been overdone. The shares closed 29 higher at 414p. The company warned on Wednesday that pre-tax profits and *earnings per share for the year* to September this year would be lower than market expectations, although still ahead of last year.

Television stocks continued to make gains. **Scottish** moved up 3 to 519p; **Yorkshire-Tyne Tees** gained 5 to 203p; **Central** made the same advance to close at 1963p and **Carlton Communications** put on 3 to 733p. **Anglia**, which was boosted the previous day by a buy note from NatWest Securities, added 6 to 331p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

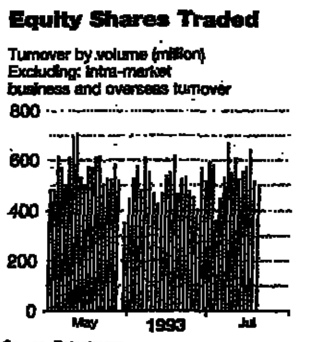
■ Other statistics, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (70).
BRITISH FUNDS (2) Cons. 2½pc, Treas. 2pc IL '96, OTHER FIXED INTEREST (3) L'pool 3½pc, N'wide Anglia 3⅞pc IL '21, Do 4⅛pc IL '24, AMERICANS (1) Whirlpool, BANKS [illegible]

NEW LOWS (23).
BRITISH FUNDS (1) Treas. 7¼pc '98 B, AMERICANS (1) Colgate-Palmolive, CHEMS (3) Card 7p Pf. '03, Wardle Storeys, Yorks., ELECTRICALS (1) Maddox, ELECTRONICS (1) Lim. Prtg., ENG GEN (1) Barry Wehmiller, FOOD RETAILING (3) Argyll, Kwik Save, Morrison (Wm) 5¼pc Pf., HEALTH & HSEHOLD (3) AAH, Hospital Corp., Seton Healthcare, MEDIA (1) Home Counties, MTL & MTL FORMING (1) Firth (GM), MISC (2) Beckenham, Ross, OTHER INDLS (1) AAF, PACKG, PAPER & PRINTG (1) De La Rue, PROP (1) Power Corp., STORES (1) OS, TRANSPORT (1) Nthn. Telecom.

FINANCIAL TIMES EQUITY INDICES

	July 22	July 21	July 20	July 19	July 16	Year ago	* High	* Low
Ordinary share	2226.3	2220.1	2221.3	2234.3	2218.8	1808.1	2299.5	2124.7
Ord. div. yield	4.14	4.15	4.16	4.14	4.16	5.11	4.52	4.07
Earning yld % full	4.93	4.95	4.95	4.93	4.96	7.39	6.38	4.82
P/E ratio net	25.95	25.87	25.85	25.93	25.84	17.03	28.57	19.40
P/E ratio nil	23.97	23.90	23.88	24.09	23.95	15.85	24.60	18.14
Gold Mines	210.6	218.1	221.4	224.1	224.5	93.6	239.3	80.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2223.1	2219.8	2221.1	2220.6	2222.5	2221.5	2220.8	2219.9	2223.8	2226.3	2219.7

Volume	July 22	July 21	July 20	July 19	July 16	Year ago
SEAQ Bargains	24,427	25,990	28,087	34,743	31,036	19,563
Equity Turnover(£m)†	-	1327.1	1455.9	1506.7	1437.1	976.0
Equity Bargains†	-	31,458	32,793	40,798	37,324	22,120
Shares traded (ml)†	-	500.5	515.3	648.0	591.8	490.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

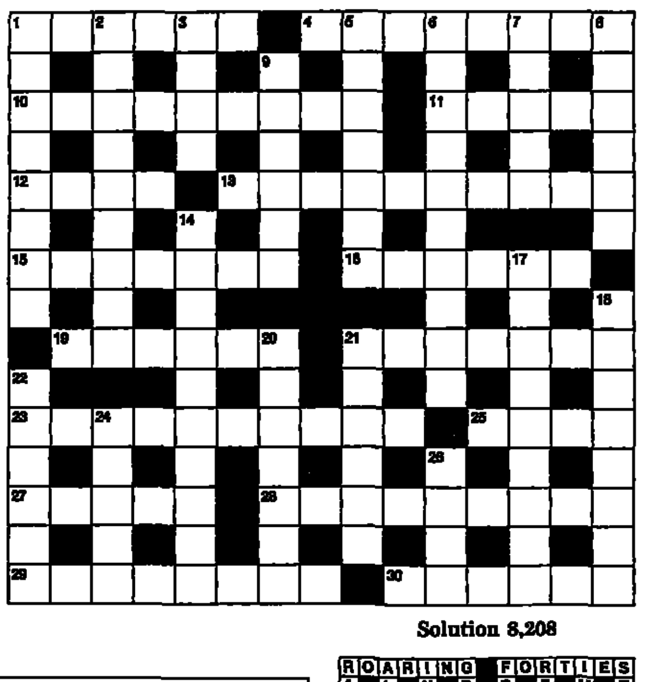
Notes	Price £	+ or –	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)					
Funding 6pc 1993‡‡	100	—	100¼	99⅞	6.00
Treas 13¼pc 1993‡‡	102⅝	—	106⅞	101½	13.40
8½pc 1994	101⅞xd	—	102⅞	101⅞	8.38
14½pc 1994‡‡	105¼	—	109¼	105¼	13.78
Exch 13½pc 1994	105⅞	—	109⅞	105⅞	12.76
Treas. 10pc Ln 1994‡‡	103⅞	—	106⅞	103⅞	9.84
Exch 12½pc 1994	107¼xd	—	110⅞	107¼	11.67
Treas 9pc 1994‡‡	104	—	106⅞	103⅞	8.66
12pc 1995	108⅝	—	111⅞	108⅝	11.05
Exch 3pc Gas 90-95	96½	—	96¾	94	3.11
10¼pc 1995	107⅞	—	109⅞	107⅞	9.51
Treas 12¾pc 1995‡‡	113⅞	+1/16	116⅝	113⅝	11.19
[illegible]					

Five to Fifteen Years: [illegible]

Continued on next page

CROSSWORD

No.8,209 Set by VIXEN



ACROSS

1 The gambler's champion (6)
4 Ill-bred creatures demanding longer break in writing (8)
10 Buffet having difficulty providing pleasing illumination (9)
11 A guy will go about one with all speed (5)
12 Remove the outer covering from the port (4)
13 Battle over a marriage contract? (10)
15 The bitterness of a metropolitan area without state backing (7)
16 One inventor in need is one too many (6)
19 Priest forming a band (6)
21 A top journalist under some strain (7)
23 Go carefully through a list that may be opposed (10)
25 Take the plunge in a shady spot (4)
27 The defence is elsewhere (5)
28 Arrange a merger and get it near settlement (9)
29 No longer ministered to for long (8)
30 Anything but old-fashioned about cash (6)

DOWN

1 This produces no capital growth naturally (4,4)
2 The beef responsible for sickness? (9)
3 A woman from the orient, wholly retiring (4)
5 Give offence, though not in a bad mood (7)
6 All-important rules in France (10)
7 Finding bearings after a time, get out (5)
8 A tense assembly – an assembly of politicians (6)
9 Means business (6)
14 Counterfeit money block (10)
17 Stubborn stain to be dealt with (9)
18 A number present a conservationist body as tenacious (8)
20 Cut up over the pit question (7)
21 A certain liking for quietly spinning a tale (6)
22 Save contention with a note (6)
24 Love being in a fog, which is really rather wet (5)
26 2 gives one the shivers! (4)

Solution 8,208

JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

CONTINUING uncertainty over the outlook for equities again unsettled trading in derivatives, causing the September contract on the FT-SE 100 to bounce between a discount and a good premium to cash, *Christine* Buckley writes.

Market confusion was compounded by pre-Maastricht vote nerves as some investors sought to steer clear of the uncertainty. *Others*, however, happily waded into the trading quagmire to pick up bargains.

That toing and froing was a feature of afternoon trading when one investment house played a strong role as a seller; another responded with active buying and the *independent* traders formed a purchasing chorus.

The contract had opened at 2,824, a little ahead of its previous day's close. It started on an upwards course and reached its high of the session – at 2,828 – in the first half hour. Its low of the day came early afternoon before Wall Street opened when the *contract dipped to 2,810.*

The volume was down on the previous day at 9,270, although the contract mustered a stronger showing against the cash market at the close of 2,828, 6 points ahead of its fair value premium to cash.

In traded options, stocks showed more active trade than in recent sessions with TSB, which broke off talks on one disposal but succeeded with another, at the top having traded 2,766 lots.

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅞xd	+⅛	20⅞	15⅝	14,384	2.5
Allegheny & W.	♥	612p	-13	662p	399p	378.0	3.1
Amdahl		364p	+30	581p	302½p	408.8	0.9
Amer Cyanamid		35⅜	+⅛	38⅝	31¼	3,234	2.9
Amer Express		21⅝xd	+⅞	21⅝	14⅝	10,400	2.9
Amer T & T		42⅞xd	—	43	33⅝	50,836	1.9
Ameritech		51⅞	+⅜	54½	46	22,712	4.5
BankAmerica		29⅞xd	+⅛	30⅞	27⅛	10,305	3.0
Bankers NY		51⅛xd	+⅞	52⅛	42⅝	4,103	3.8
Bell Atlantic		35¼	+½	39½	32¼	15,617	4.4
BellSouth		37¼	+⅜	39⅝	32⅝	18,401	4.7
Bethlehem Steel	♥	12¼xd	-⅛	13¼	10	1,108	-
Bowater		1332pxd	-18	1668p	1287p	462.7	1.9
CPC		27¼xd	+⅛	34⅝	26	4,127	3.0
California Engy		1224p	—	1479p	1088p	224.7	-
Chase Manhattan		21½xd	-⅛	24½	17⅞	3,354	3.5
Chrysler		29⅝xd	-⅛	32⅛	21⅛	6,768	1.3
Citicorp		20¼xd	-⅛	21⅞	13⅞	7,586	-
Colgate-Palm		33xd	-2¼	45⅝	33	5,259	2.7
Cont'l Bank		1547p	+10	1877p	1270p	1,563	2.4
Dana		30¼xd	-⅛	35⅝	28⅛	1,604	2.8
Data General		587p	+3	951p	584p	162.8	-
Decora Inds	♥	128p	-11	146p	109p	-	-
Dun & Brad		39¼	+⅛	42⅝	37⅛	7,084	3.9
Eaton	h	28⅝	+¼	31⅛	25⅛	2,902	2.4
Echlin		20⅛xd	—	20½	15⅛	1,174	2.2
FPL		25⅛xd	+⅛	27⅝	23⅛	4,886	6.1
Ford Motor		35⅛xd	-⅛	38½	28⅛	17,208	1.8
Gen Elect		65⅞xd	-⅛	67⅛	53⅞	55,888	2.4
General Host	♥	536p	-17	723p	513p	-	4.2
Gillette		35⅛xd	-⅛	42⅝	31⅞	7,704	1.5
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.7
Honeywell		24⅞xd	-⅛	28½	20⅞	3,323	2.3
Houston Inds		30⅛	-⅛	33⅛	28⅛	3,911	6.3
Ingersoll-Rand		21⅝xd	+⅞	25	19⅝	2,269	2.0
Lockheed		44⅝	—	45⅛	35⅛	2,738	3.0

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

Oryx Gold	78½	—	78½	47	–	–
‡‡Ovoca Res I£	7	–½	7½	3½	0.49	–
RTZ	677	+2	709	607	6,993	3.8

For Vizcaya see Premier Land under PROPERTIES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

annualised dividend yield, p/e based on previous year's earnings ... latest annual earnings. M Yield based on prospectus or other ... xr ex rights; xd ex dividend; xc ex capital distribution.

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	152.6	154.0	162.1	-0.90	0.00
AIB Grofund Equity	5	202.4	206.2	217.2	+0.60	1.70
AIB Grofund Euro	5	164.5	166.3	175.0	-0.70	0.14
AIB Grofund Eq Balanced	5	100.8	102.8	108.0	-0.60	1.59
AIB Grofund Gilt	3	79.17	79.19	81.64	-0.24	5.00
AIB Grofund Japan	5	174.1	175.7	185.0	-0.20	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	6	419.6	421.3	448.2	+1.2	2.61
General Acc	6	460.3	462.1	491.7	+1.3	2.61
UK Growth Acc	6	305.6	306.8	326.6	+0.5	2.79
UK Growth Inc	6	218.6	219.6	233.6	+0.4	2.79
Higher Inc Acc	6	567.3	575.4	612.2	-0.4	3.78
Higher Inc Inc	6	344.6	348.5	371.8	-0.3	3.78
Gilt/Fxd Int Acc	5½	178.1	178.1	188.1	-0.9	8.09
Gilt/Fxd Int Inc	5½	93.34	93.34	98.58	-0.49	8.09
Nth America	6	241.9	244.6	260.3	+0.9	0.00
Far East	6	298.1	298.1	317.2	+2.7	0.22
Europe	6	222.0	223.6	238.1	+0.3	1.02
Brit Excel	6	62.38	62.39	66.30	+0.07	2.60
Brit Fodmila Acc	6	87.03	85.28	90.80	-0.29	4.70
Brit Fodmila Inc	6	67.91	68.47	72.85	-0.22	4.70
Global Opps	6	71.75	71.78	76.33	+0.3	0.15
Balanced Acc	6	46.96	47.54	50.58	+0.04	2.77
Balanced Inc	6	46.96	47.54	50.58	+0.04	2.77

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Brown Shipley UT Mngrs (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	93.81	93.81	99.91	+0.81	1.99
Mngd P'folio Acc	6	177.3	177.3	188.8	—	—
UK General	6	156.2	156.2	167.1	+0.40	2.90
European Inc	6	21.73	21.73	23.30	-0.18	0.48
European Acc	6	22.44	22.44	24.18	-0.19	—
Financial	6	130.8	130.8	139.3	—	3.01
Foundation	6	76.45	77.69	82.60	-0.37	3.23
German	6	42.07	42.07	45.11	-0.51	0.08
Growth Inc †(5-1)	6	27.47	27.47	29.31	—	3.00
Growth Acc †(5-1)	6	32.42	32.42	34.59	+0.01	—
High Income	6	71.65	71.65xd	77.23	-0.11	6.79
Income	6	127.6	129.7	138.8	-0.20	3.96
Intl Income	6	93.98	93.98xd	100.1	—	4.87
Intl Growth ♣	6	34.44	34.44	36.66	-0.05	0.21
Monthly Income	6	72.38	74.23	79.43	+0.03	4.03
North American	6	104.8	104.8	111.4	-0.90	0.20
Orient ♣	6	132.5	132.5	142.7	+0.40	—
Recovery	6	40.47	42.09	45.25	+0.02	2.47
Smaller Cos Acc	6	281.6	307.4	328.8	-0.80	—
Smaller Cos Inc	6	169.7	178.6	191.3	-0.30	1.13

Brycourt Unit Tst Mngmt Ltd (1400)F
Hanover Hse, Portman Sq, W1H 9JR 071-935 8982

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	187.2	187.2	192.1	—	4.03

For Buckmaster see Credit Suisse

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Short Dated Gilt	1¼	66.65	66.65	67.75	-0.18	5.73

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 4AH 061-837 5060

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Environ	6	130.5	133.4xd	142.0	-0.10	1.87
UK Growth	6	143.6	145.6	154.9	+0.30	2.23
UK Income	6	122.6	124.1	132.1	-0.10	4.25

[illegible]

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth ♣	6	64.74	65.04	69.19	-0.17	0.87
High Income	5	288.5	289.6	298.4	+0.8	4.61
(Accum Units)	6	482.1	487.6	487.6	+1.4	4.61
Intl Bond	5	66.26	66.28	69.70	-0.36	5.88
Intl Equity Growth ♣	5	61.46	61.53	65.45	+0.33	0.66
North American Growth	5	90.02	90.43	96.20	-0.22	0.74
Special Sits Growth	5	19.16	19.46	20.72	+0.06	1.90
UK Growth	5	374.9	327.4	348.2	+1.8	2.72
(Accum Units)	5	409.3	412.5	438.8	+2.3	2.72

MW Investment Managers Ltd (0859)F
46 Court St, Haddington, E. Lothian 062-082 5867

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1172.6	1172.6	1262.2	—	3.7

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	128.0	128.0	132.6	—	4.40

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
European Trust	6	51.47	51.64	54.93	-0.28	1.16
Far Eastern Tst	6	62.63	63.87	67.86	+0.01	0.17
Smaller Cos	5	156.3	160.2	170.9	+0.2	1.50

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
S & W American	5	264.6	264.5	279.8	-2.4	0.73
S & W Capital	5	117.8	117.8	128.4	-0.5	1.71
S & W Cash	0	101.47	101.47	101.47	+0.01	5.34
S & W European	5	111.7	111.7	118.1	-1.3	1.01
S & W Far Eastern	5	147.8	149.1	157.7	-0.8	0.00
S & W Growth	5	123.5	125.3	132.6	-0.1	1.58
S & W Income	5	116.3	116.6	123.3	-0.5	4.68
S & W Magnum	6	122.6	122.6	131.7	-0.5	1.63
S & W Smlr Secs	5	319.0	326.0	344.8	-0.5	0.44
S & W Thoroughbred	5	144.1	144.7	154.8	-0.8	1.57

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Cash	1	49.88	49.88	50.38	—	5.1
Capital Prizance	5½	56.61	56.93	60.72	-0.12	7.8
Ethical	5½	52.06	52.06	55.37	-0.07	3.9
European Growth	5½	58.11	58.42	62.31	-0.58	2.9
Income	5½	52.61	52.98	56.49	+0.02	5.7
Intl Growth	5½	60.32	60.79	65.17	-0.58	2.9
Managed	5½	68.94	69.67	74.31	-0.20	3.8
UK Growth	5½	56.10	56.70	60.47	+0.08	4.4

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Managed Acc	5¼	43.52	43.52	46.24	-0.3	1.65
UK Equity Gth Acc	5¼	59.80	59.58	63.29	-0.3	1.94
UK Eq High Inc Inc	5¼	35.40	35.40	37.62	-0.2	3.79
UK Eq High Inc Acc	5¼	42.04	42.04	44.67	-0.3	3.79
UK Equity Gen Acc	5¼	62.96	63.96	57.34	-0.2	2.38
UK Equity Gen Inc	5¼	40.12	40.86	43.42	-0.2	2.28
UK Larger Cos Acc	F 7½	383.4	368.2	390.5	-1.6	3.79
UK Larger Cos Inc	F 7½	279.1	282.7	300.8	-1.2	3.79
Gilt & Fxd Int Inc	6¼	31.32	31.40	33.21	-0.1	6.23
O'seas Lrg Cos Acc	F 7½	274.4	279.1	302.9	-2.3	1.43
Nth American Acc	5¼	42.34	42.58	45.28	-0.4	0.88
Far East Acc	5¼	55.73	55.73	59.22	-0.4	0.18
European Acc	5¼	40.90	40.90	43.46	-0.6	1.10

State Street Unit Trust Mngmt Ltd (1400)F
20 King Street, London SW1 6QW 071-344 7000

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+or -	Yield Gross
Am Exempt	£609.01	618.15	-4.99	1.58
Gen Exempt	£152.36	156.78	-0.69	3.30
Jap Exempt	£507.09	518.79	-6.82	1.04
Pacific Exempt	£151.81	155.37	-0.70	1.58
Cont Euro Exempt	£119.72	122.16	-1.57	2.36

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+or -	Yield Gross
Balanced Acc Jul 20	185.9	193.2	-0.4	3.38
Balanced Inc Jul 20	182.6	189.7	-0.4	3.38
Latin American Acc Jul 21	107.0	108.2	-0.04	1.58

Funds in Court*

	Bid Price	Offer Price	+or -	Yield Gross
Capital May 27	551.78	565.94	—	3.72
Gross May 27	205.77	207.43	—	10.14
High Yield May 27	338.00	340.71	—	7.64

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+or -	Yield Gross
Managed Exempt	108.66	112.66	+0.17	3.80

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+or -	Yield Gross
Pensions Mngd	61.7	62.97	+0.01	2.66

INVESCO Asset Management Ltd

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+or -	Yield Gross
Property Jul 12	£2025.0	2225.0	—	7.00
Inc Gth Prp Jul 12	£1440.0	1600.0	—	5.90

Lazard Investors Ltd ‡

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Providence Capital Life Assc. Co Ltd - Contd.

Alpha Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha		227.3	+0.4	-
US Alpha		121.6	-	-
Gilt Alpha		87.7	-0.3	-
Gold Alpha		93.6	-1.3	-
Japan Alpha		48.2	-	-
US Dollar Alpha		78.6	-0.1	-
Yen Alpha		80.7	-	-
DM Alpha		86.2	-0.4	-
European Alpha		87.6	-0.7	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund		156.3	-0.7	-

Provident Mutual Life Assc. Assn.
25 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	417.9	439.9	+0.4	-
Managed Init	294.6	310.1	+0.2	-
Equity Ord	620.7	653.4	+1	-
Equity Init	437.6	460.6	+0.6	-
Index Linked Gilt Ord	197.5	207.9	-0.3	-
Index Linked Gilt Init	145.4	153.1	-0.3	-
Overseas Equity Ord	337.4	355.2	+0.7	-
Overseas Equity Init	237.9	250.4	+0.4	-
Property Ord	229.5	241.6	+0.1	-
Property Init	161.8	170.3	-	-
Fixed Interest Ord	266.9	280.9	-1.2	-
Fixed Interest Init	188.2	198.1	-0.8	-
Deposit Ord	197.3	207.7	-	-
Deposit Init	139.1	146.4	-	-
Pension Funds				
Managed Ord	551.3	580.3	+0.8	-
Managed Init	388.7	409.2	+0.8	-
Equity Ord	845.1	889.6	+1.7	-
Equity Init	595.8	627.2	+1.1	-
Pen Ind Lkd Gilt Ord	225.0	236.8	-0.5	-
Pen Ind Lkd Gilt Init	165.7	174.4	-0.3	-
Overseas Equity Ord	392.4	413.1	+1	-
Overseas Equity Init	276.6	291.2	+0.6	-
Property Ord	293.7	309.2	-	-

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)	Bid Price	Offer Price	+ or -	Yield Gross
Managed	405.8	427.2	+0.60	-
Equity	505.4	532.1	+1.00	-
Property	243.3	256.2	-	-
International	400.8	422.0	+0.50	-
Japanese	115.4	121.5	+0.50	-
Asia Pacific	137.8	145.1	-1.80	-
European	108.8	114.4	+0.70	-
American	144.2	151.8	+0.40	-
Fixed Interest	349.3	367.7	-0.50	-
Index-Linked Gilt	189.9	199.8	-0.10	-
Cash	220.8	232.6	-	-
Life Funds (Second Series)				
Managed	113.0	119.0	+0.20	-
Equity	108.7	114.5	+0.20	-
Property	102.3	107.7	-	-
International	124.0	130.6	+0.20	-
Japanese	115.8	121.9	+0.60	-
Asia Pacific	135.2	142.4	-1.30	-
European	107.8	113.5	+0.70	-
American	140.9	148.4	+0.40	-
Fixed Interest	131.4	138.4	-0.20	-
Index-Linked Gilt	121.5	127.9	-0.10	-
Cash	109.6	115.4	-	-
Pension Funds				
Building Society	174.3	183.5	-	-
Managed (Init)	233.9	246.3	+0.30	-
Managed (Acc)	458.4	481.0	+0.60	-
Equity (Init)	262.0	275.8	+0.50	-
Equity (Acc)	522.2	549.7	+1.10	-
Property (Init)	150.6	158.6	-	-
Property (Acc)	300.2	316.1	-	-
International (Init)	236.6	249.0	+0.40	-
International (Acc)	471.4	496.3	+0.90	-
Fixed Interest (Init)	231.9	244.2	-0.50	-
Fixed Interest (Acc)	462.2	486.6	-1.00	-
Cash (Init)	153.9	162.0	-	-
Cash (Acc)	306.7	322.9	-	-
Others				
Capital Guarantee Bond	98.2	103.4	+0.10	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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Hill Samuel Fund Mgrs - Contd.

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intnl. Bond Fund						
Sterling Managed	3½	£11.72	11.72xd	12.24	-0.04	7.65
US Dollar Managed	3½	$13.72	13.72xd	14.32	-0.06	6.35
International Currency Fund						
Sterling Managed	3½	£32.57	32.57	33.75	+0.01	-
US Dollar Managed	3½	$37.35	37.35	32.48	-0.02	-
Sterling	0	£29.83	29.83	29.83	+0.01	4.85
US Dollar	0	$40.14	40.14	40.14		1.78
Deutschemark	0	DM70.40	70.40	70.40	+0.01	6.16
Japanese Yen	0	Y5150	5150	5150		1.84
Swiss Franc	0	SFr52.68	52.68	52.68	+0.01	3.60
Irish Punts	0	I£25.62	25.62	25.62	-	5.02

Lloyds Bank (CI) U/T Mgrs.

PO Box 195, St Helier, Jersey 0534 284242

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Tst. Gilt	3½	£10.348	10.370xd	10.748	-0.030	7.45

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	0	£1.2243	1.2243	1.2981	[illegible]	0.10
CBI	3	£1.0021	1.0021xd	1.0733	-0.006	7.74

Prudential Fund Managers (Jersey) Ltd

PO Box 103, St Helier, Jersey 0534 73009

Prudential Currency Fd (Formerly Vanbrugh Currency Fd)

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income (A & B)	5	271.2	211.2	221.7	+0.0	3.54
Growth (C & D)	5	318.1	318.1	334.1	+1.0	-

Royal Trust Jsy Fd Mngt Ltd (1400)F

Banque Scandinave a Luxembourg SA

16 Boulevard Royal, L-2449, Luxembourg

Scandifonds

Scandifond Equity Fund

	Init Charge		Bid Price	Offer Price	+ or -	Yield Gr's
Equity Int Acc	5	$-	16.74	17.66	-0.03	1.17
Equity Global	5	$-	1.44	1.53	-0.01	-
Equity Natural Res	5	$-	1.1	1.17	-	-
Equity Japan Acc	5	Y-	110.26	115.79	-0.07	-
Equity UK	5	£-	1.38	1.44	-0.01	-
Equity Nordic	5	$-	1.22	1.3	-0.02	-
Equity North America	5	$-	1.92	2.02	-	-
Equity Mediterranean	5	$-	0.87	0.93	-0.02	-
Equity Conti Europe	5	$-	1.43	1.52	-0.01	-
Scandifond Far East						
Far East Global	5	$-	3.49	3.68	-0.02	-
Scandifond Bond Fund						
Bond Int. Acc	1	$-	12.32	12.45	-0.03	8.64
Europe Bond Acc	1	$-	1.53	1.56	0.01	7.15
Bond DEM Acc	1	DM-	1.23	1.26	-	6.64
Bond USD Acc	1	$-	1.42	1.45	-0.01	5.79
Bond Swedish Acc	1	Skr-	18.60	18.83	-	10.16
Scandifond International Sicav						
Int Emerging Markets	5	$-	1.06	1.12	-	-

Barclays Diversified Portfolio

14 rue Aldringen L-1118 352 4709 2938

		Bid Price	Offer Price	+ or -	Yield Gr's
IPB Deutschmark Reserve	DM-	31.58	-	-	-
IPB Sterling Reserve	£-	16.40	-	-	-
IPB Swiss Franc Reserve	SFr-	30.05	-	-	-
IPB US Dollar Reserve	$-	20.26	-	-	-

Jupiter Tyndall Global Fund

13 rue Goethe L-1637 Luxembourg 010 352 404681

		Bid Price	Offer Price	+ or -	Yield Gr's
China Portfolio	£-	1.29	1.38	-0.04	-
China Portfolio	$-	1.90	2.06	-0.03	-
Tiger Portfolio	£-	2.30	2.42	-	-
Tiger Portfolio	$-	3.47	3.66	-0.01	-
European Portfolio	£-	1.32	1.39	-	-
European Portfolio	$-	1.99	2.10	-	-
Wall Street Portfolio	£-	1.77	1.87	-	-
Wall Street Portfolio	$-	2.67	2.82	-0.01	-
British Lion P'folio	£-	1.30	1.38	+0.01	0.64
British Lion P'folio	$-	1.97	2.08	-	-
International P'folio	£-	1.76	1.86	+0.01	-
International P'folio	$-	2.67	2.81	-	-
Japan Portfolio	£-	1.35	1.43	-	-
Japan Portfolio	$-	2.04	2.16	-	-
High Yield P'folio	£-	1.20	1.27	-	7.10
High Yield P'folio	$-	1.82	1.92	-0.01	-
Korea Vision Portfolio	£-	1.40	1.48	-0.03	-
Korea Vision Portfolio	$-	2.08	2.19	-0.05	-
Taiwan Portfolio	£-	1.13	1.20	+0.02	-
Taiwan Portfolio	$-	1.71	1.80	+0.03	-
UK Smllr Cos Portfolio	£-	1.06	1.13	+0.03	-
UK Smllr Cos Portfolio	$-	1.63	1.72	+0.05	-

Kleinwort Benson Japanese Warrant Fund

14 rue Aldringen Luxembourg 010 352 4799-1

		Bid Price	Offer Price	+ or -	Yield Gr's
NAV	$-	7.540	-	-	-

Kleinwort Benson Select Fund (u)

14 Rue Aldringen L-1118 Luxembourg 010 352 47991

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

ERM battles once more

Speculative pressure left European currency markets reeling once again yesterday as the markets digested the possibility that there would be no cut in German interest rates next Thursday, *writes Stephanie Flanders*.

Although the Spanish peseta, the Danish krone and the Portugese escudo all sustained heavy losses against the D-Mark, attention focused on the French franc. The Bundesbank intervened to buy francs several times during the day, apparently trying to keep the French franc from weakening beyond Ffr3.4180 against the D-Mark.

On the French side, the Bank of France suspended a key lending facility to make things more difficult for speculators, but did not raise interest rates as some had expected. The French central bank would not confirm reports that it was intervening to support the franc, but several traders were convinced that French commercial banks were buying francs on behalf of the authorities.

Pressure on the French currency re-emerged as a result of Wednesday's disappointing German M3 figures. "If the Bundesbank cannot reduce interest rates next week," said one London analyst, "the attention goes back to whether the French economy can get through the summer at today's high rates. If the markets think the answer is no, then the Bank of France has to ask itself whether it can credibly raise interest rates to defend the franc."

Figures were released showing that last week's interventions had reduced the Bank of France's net reserves by at least Ffr17bn up to July 15. Observers claimed that since then official losses due to further intervention will have risen considerably.

Taking a large part of the speculative strain was the peseta, which fell below its central rate in the ERM for the first time since its 8 per cent devaluation on May 13.

Up to the early afternoon the Spanish currency had lost more than two pesetas against the D-Mark, although it later recovered somewhat to close at Pta79.84, a little over one peseta down on the previous close of Pta78.74.

The Portugese currency also fell dramatically, closing in Europe at Esc100.25 against the D-Mark, still comfortably above its ERM floor of Esc105.04, but dramatically below its rate at the start of the week of Esc97.10 against the D-Mark.

Early in the day, the Danish krone seemed to be in danger, as it lost ground against the D-Mark. But the markets were somewhat pacified by the Danish Central Bank's decision to raise its official two-week repo rate from 9 to 11 per cent. This helped the Danish unit to recover, closing in London at around Dkr3.8805 against the D-Mark, above its ERM floor of Dkr3.9016.

Sterling rose ¼ of a pfennig to close at DM2.5750.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.18955	-0.33	2.03	36
Irish Punt	0.808628	0.806775	-0.23	1.93	28
D-Mark	1.94964	1.94558	-0.21	1.91	40
Belgian Franc	40.2123	40.1982	-0.04	1.73	21
Spanish Peseta	154.250	154.768	0.34	1.36	-6
Portuguese Escudo	192.854	193.691	0.43	1.26	-7
Danish Krone	7.43679	7.54353	1.52	0.18	-51
French Franc	6.53883	6.64977	1.70	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Jul 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5035 - 1.5165	1.5075 - 1.5085	0.38-0.36cpm	2.94	1.08-1.05pm	2.82
Canada	1.9230 - 1.9395	1.9220 - 1.9230	0.34-0.26cpm	1.87	0.89-0.75pm	1.71
Netherlands	2.8880 - 2.9125	2.8950 - 2.9050	⅛-⅜cdis	-1.03	¼-1⅞dis	-0.52
[illegible]						

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesets per 100.

MONEY MARKETS

French rates soar

French money market rates rose yesterday amid renewed currency excitement, although the Bank of France stopped short of raising official rates to support the franc, *writes Stephanie Flanders*.

French money market rates increased sharply as speculative fears spread through foreign exchange markets. One month bid rates were pushed up to 9 per cent compared to the previous 7.8 per cent, while one week money finished 2 percentage points higher at 10.5 per cent.

Speculative selling of the franc had been on the wane on Monday and Tuesday, with the currency recovering many of the previous week's losses. The franc's recent resilience led many to think that the Bank of France could see off the speculators, at least until a possible cut in German interest rates at the next Bundesbank council meeting on Thursday.

But the chances of such a cut fell sharply with news that German monetary growth had again outstripped its target range of 4.5 to 6.5 per cent, growing by 7.1 per cent in June. As a result, the market's focus shifted yesterday to how the Bank of France would react.

There was a spate of rumours towards the end of the day that the central bank was going to announce a rise in overnight lending rates to defend the French currency's position in the exchange rate mechanism, but these were strongly denied.

Earlier in the day, the French authorities had suspended its 5 to 10 day lending facility, the first official change in French lending conditions since the current tensions began. But the overnight lending window which the bank offered instead was no higher than before, at 7.75 per cent.

The Bank of France last withdrew the 5 to 10 day window at the height of January's speculation against the franc. But then the bank raised the overnight lending rate at the same time, from 10 to 12 per cent. Many market participants thought the French action not particularly dramatic, by the standards of previous ERM battles.

"The Bank of France has taken one step in setting up more defences for the franc," said Mr Christian Dunis, international economist at Chemical Bank in London. "But leaving the rate unchanged limits its impact. The Bundesbank might well think that the French could have done more to help its own currency."

Futures trading reacted to the tensions, with the September Pibor contract up 19 basis points to close at 92.65.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	Yield	Open int.
July	1957.0	1980.0	+21.5	1980.0	1944.0	-	27,784
August	1969.0	1994.0	+22.5	1993.0	1959.0	-	6,116
September	1981.0	2005.0	+22.0	2000.0	1971.5	-	18,695
December	-	2037.0	+22.5	-	-	-	8,185

Estimated volume 24,408 † Total Open Interest 64,434

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
September	114.40	114.50	-0.12	114.58	114.26	-	11,595

Estimated volume 4,769 † Total Open Interest 11,595

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
118	-	-	-	-	0.14	0.83
119	1.01	1.21	1.65	0.08	0.30	-0.96
120	0.27	0.63	1.12	0.35	0.70	-
121	0.06	0.25	0.72	-	-	-
122	-	0.09	0.43	-	-	-
Open Int	21,999	137,480	52,363	29,967	184,820	34,082

Estimated volume 51,977 † Total Open Interest 493,611
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	8
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MITSUBISHI CAPITAL INC.

US$9,000,000 GUARANTEED DUAL BASIS BONDS DUE 2000 (B BONDS)

In accordance with the provisions of the Bonds, notice is hereby given as follows:

- Interest period: July 22nd, 1993 to October 22nd, 1993
- Interest payment date: October 22nd, 1993
- Interest rate: 3.85% (margin included)
- Coupon amount: US$2,459.72 per note of US $ 250,000

Agent Bank

BIL BANQUE INTERNATIONALE A LUXEMBOURG

SUN LIFE GLOBAL PORTFOLIO (SICAV)

Registered Office: 14, Rue Aldringen, Luxembourg
R.C. Luxembourg B27526

DIVIDEND ANNOUNCEMENT

The Board of Directors announce that a dividend has been declared on the Haven Portfolio at the rate of 1.55p per share which will be paid on 11th August, 1993 to the respective Shareholders of record of that portfolio as at the close of business on 30th June, 1993.

The Board of Directors
30th June, 1993

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close July 22

MONTREAL

4 pm close July 22

INDICES

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

TOKYO - Most Active Stocks

Thursday, July 22, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sharp Corp	4.7m	1,380	+10	Nikkatsu	2.9m	19	-1
Matsushita E Ind	3.6m	1,320	+50	Tobu Railway	2.9m	866	+9
NEC Corp	3.5m	1,010	-10	Takasago Intl Co	2.8m	787	+17
Sumitomo Mtl Min	3.1m	1,040	-20	Mitsubishi Heavy	2.4m	656	
Nippon Express	3.1m	1,040	-10	Hitachi	2.4m	848	-12

4 pm close July 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	88	59	13½	13⅛	13⅜	
29⅜	20	A L Labs A	0.18	0.7	44	129	25⅞	25⅛	25¼	-⅜
63⅞	54⅝	AMP Inc	1.60	2.7	21	1610	60⅜	59¾	59⅞	-⅛
72¾	55½	AMR			10	8067	66½	65¼	65¾	+¼
2¾	1¾	ARX			14	63	2⅜	2¼	2⅜	+⅛
51½	29⅞	ASA	2.00	4.3	30	787	46⅜	45¼	46⅝	+¾
30¾	22⅝	Abbott Lab	0.68	2.7	18	9605	26	25⅜	25½	-⅝
12⅝	9⅞	Abitibi Pr	0.50	5.0	4	30	10	10	10	+⅛
14¼	8¼	Acpincain			233	28	14⅛	14	14	
32	25½	ACE Ltd	0.40	1.4		91	28⅞	28⅜	28⅜	-⅜
12	10¾	ACM Gvt In	0.96	8.2		442	11⅞	11¾	11¾	-⅛
10	9⅛	ACM GvOpp	0.80	8.1		27	9⅞	9⅞	9⅞	+⅛
9¾	8¾	ACM Gvt Sp	0.80	8.2		885	u9⅞	9⅝	9¾	+⅛
11⅝	10½	ACM Gvt Se	0.96	8.4		1194	11½	11⅜	11⅜	-⅛
11⅝	9⅝	ACM Man	1.08	9.6		277	11½	11¼	11¼	-⅛
9⅜	8⅝	ACM Managd	0.72	7.9		251	9¼	9⅛	9⅛	
12⅜	7¾	Acme Cleve	0.40	3.4	15	37	11⅝	11¼	11⅝	+⅜
9¼	6½	Acme Elect			250	12	7¾	7⅝	7¾	
24¾	18⅛	Acordia	0.44	1.9	14	185	23¾	22¾	23½	+1⅛
16	10⅜	Acuson			13	380	12⅞	12⅜	12½	+¼
22¼	19⅝	Adams Expr	0.48	2.4	1	106	20⅜	20¼	20⅝	+⅛
66	45½	Ad Micro	3.00	5.5		129	55¼	54½	54¾	-¼
32¾	17⅝	Ad Micro P	3.00	12.2	8	4715	25	24⅛	24½	-⅛
7¾	5½	Advest Grp	0.16	2.7	10	136	6	5⅞	6	+¼
24¾	17¼	Advo Inc	0.08	0.4	19	147	18	d17¼	17⅞	+⅛
49⅜	41⅛	Aegon ADR	2.95	6.7	8	148	44⅝	44⅛	44⅛	-¼
58¾	43⅜	Aetna Lf	2.76	4.8	146	1372	57¾	57⅛	57⅛	-⅜
14½	11½	AFB A	0.26	1.8	30	2546	14⅜	14⅛	14⅛	
32¼	26⅜	Aflac	0.40	1.3	15	1702	30⅜	29⅞	30	-½
22⅛	16¾	Ahmanson	0.88	4.5	23	943	19⅞	19¾	19¾	-¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

4 pm close July 22

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 22

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close July 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

FINANCIAL TIMES Friday July 23 1993

AMERICA

US equities retreat from record levels

Wall Street

US stock markets retreated from their record highs yesterday morning as share prices eased slightly across the board in modest trading, *writes Patrick Harverson in New York*.

At 1 pm, the Dow Jones Industrial Average was down 9.50 at 3,545.90. The more broadly based Standard & Poor's 500 was 0.41 lower at 446.77, while the Amex composite was down 0.68 at 432.63, and the Nasdaq composite down 0.33 at 699.75. Trading volume on the NYSE was 149m shares by 1 pm.

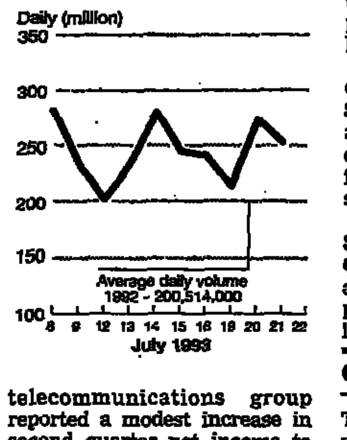
Although the Dow broke into record territory on Wednesday, setting a new all-time high of 3,555.40, the advance was neither broad nor particularly convincing. Secondary indices failed to match the Dow's achievement, and the upward movement was primarily the result of late program trades rather than sound buying by investors impressed with the markets' fundamentals.

Consequently, yesterday's early declines were not unexpected. Bad news on the employment front – jobless claims rose 24,000 in the week ended July 17 – contributed to the gloomy opening. Even a modest rebound in bond prices, which were cheered by positive comments on the inflation outlook from Mr Alan Greenspan, the chairman of the Federal Reserve, failed to lift market sentiment.

Much of the day's business was dominated by the latest earnings reports, although investors appeared to take most of the results in their stride.

AT&T eased $¾ to $64½ in volume of ½m shares after the telecommunications group reported a modest increase in second quarter net income to 77 cents a share.

NYSE volume



Compaq jumped $1⅞ to $50⅞ after announcing second quarter earnings of $1.21 a share, more than triple the 35 cents a share earned a year earlier.

Bankers Trust fell $1¼ to $76 in spite of reporting a 35 per cent increase in second quarter profits. BT shares had been close to their all-time highs prior to the release of the banking group's results.

Oil stocks were mixed, with Amoco up $⅝ at $53¾ but Texaco down $¾ at $61⅞: both companies posted modest improvements in earnings yesterday.

Delta Air Lines firmed $⅝ to $51⅛ on the news of an impressive earnings recovery. The carrier posted a second quarter profit of $7.1m, up from heavy losses a year ago.

On the Nasdaq market, MCI Communications eased $⅞ to $28⅞ in volume of 2.2m shares after reporting second quarter earnings of 32 cents a share, up from 26 cents a share in the same quarter of 1992.

Microsoft climbed $1⅛ to $80⅛ after the Federal Trade Commission voted not to issue a complaint against the company on allegations that it violated anti-trust laws.

Canada

TORONTO was lower at noon, with weakness in precious metals and the industrial sector contributing to a 15.46 deline in the TSE 300 index to 3,851.92, in volume of 26.1m shares. Northern Telecom fell C$⅝ to C$28⅛ in continued response to Wednesday's second quarter loss.

EUROPE

Paris rises late on currency speculation

SELECTIVE strength in late closing bourses, largely in response to currency speculation, was the main feature of the day, *writes Our Markets Staff*.

PARIS built up strength late in the session as currency speculation resurfaced; the rationale was that it might now be just a matter of time before the franc was forced to devalue. Some observers commented that the suspension of the 5-to-10 day lending window and its replacement by a 24 hour repurchase facility was "the last straw" in the government's battle with currency speculators.

This view was not followed by more phlegmatic investors, who felt that there was far too much at risk for European monetary authorities to allow the franc to leave the ERM. Those in this camp maintained that the Bundesbank would make meaningful cuts in interest rates by September, at the latest.

The CAC-40 index, which had earlier seen a day's low of 1,937, ended 18.19 higher at 1,965.72. Turnover was some FFr2.6bn.

Among the stocks set for early privatisation, confirmed by the government in an announcement after hours on Wednesday, Elf Aquitaine gained FFr4 to FFr396, Rhône-Poulenc lost 10 centimes to FFr142.90 and BNP CI's shed FFr2 to FFr539. UAP, which has a 10 per cent stake in BNP, gained FFr3 to FFr596.

BSN rose FFr17 to FFr850 ahead of announcing after the close a fall in first half turnover of some 3.8 per cent; while SocGen put on FFr7 to FFr605 following its forecast of good half year profits.

ZURICH continued the rally which began late on Wednesday after the market's consolidation earlier in the week, and the SMI index rose 25.4 or 1.1 per cent to 2,340.5.

Mr Mirko Sangiorgio at Bank Julius Baer in Zurich attributed yesterday's strength to renewed program buying. He expects the market to move sideways over the next few weeks, and does not rule out the possibility of some further volatility. "But over the longer term, I take a more positive view on expectations of a continuing decline in Swiss interest rates," he said.

UBS bearers were in demand rising SFr21 to SFr1,140 and Roche bearers returned to favour, adding SFr180 to SFr8,180.

Renewed strong foreign demand helped SMH SFr17 or 7.4 per cent up to SFr245 and Alusuisse SFr24 or 4.6 per cent ahead to SFr540.

FRANKFURT closed mixed, the DAX index easing a mere 0.29 to 1,823.52 and moving marginally higher in the post bourse. A little profit-taking was reported in chemicals, balanced by buying in engineering, metals and utilities.

One of the biggest blue chip gains of the day came in Lufthansa, which rose DM4 to DM134.50, up 16 per cent since Mr Robert Willis and Mr Rod Hinkel at SG Warburg Securities recommended the airline on July 6 on the basis of improving immediate performance, accelerated job cuts, increasing cost savings in 1993 and 1994 and an impending solution to the group's unfunded pensions liability.

Turnover eased from DM8.2bn to DM7.9bn. Improved construction and modernisation prospects for eastern German energy plants left Felten & Guilleaume, an energy technology company, up DM25.50, or 6.8 per cent at DM400.50.

FT-SE Actuaries Share Indices

July 22 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1216.54	1215.66	1216.51	1217.20	1217.24	1217.78	1216.89	1217.14
FT-SE Eurotrack 200	1273.34	1272.42	1273.36	1273.15	1274.06	1274.44	1274.90	1275.93

	Jul 21	Jul 20	Jul 19	Jul 16	Jul 15
FT-SE Eurotrack 100	1212.75	1224.85	1235.43	1234.37	1229.70
FT-SE Eurotrack 200	1266.97	1275.46	1283.54	1281.68	1278.79

Base value 1000 (26/10/90) Highday: 100 - 1218.78; 200 - 1276.06 Lowday: 100 - 1215.13 200 - 1271.86.

AMSTERDAM returned to positive territory, helped by the stronger dollar and renewed buying of cyclicals. The CBS Tendency index ended 1.4 higher at 117.6.

KLM added Fl 1.50 to Fl 33.80 after announcing late on Wednesday that it had reached an agreement with the pilots union on freezing pension contributions, thereby cutting costs by some Fl 190m. The stock also attracted a broker's upgrade.

The dollar's strength helped Royal Dutch, up Fl 2.30 to Fl 176.80 and Unilever, Fl 1.00 higher at Fl 188.10.

MILAN became clouded once again by currency concerns, halting attempts at a rally, and Comit index shed 5.80 to 552.57.

The weakness of the lira prompted foreign selling, particularly of telecommunications issues amid impatience over delays to the privatisation programme. Stet dipped L5 to L3,735 in heavy volume.

Montedison, L22 ahead at L702, and Ferruzzi, L20.5 higher at L430, found heavy speculative retail demand.

Toro savings shares succumbed to profit-taking, giving up L386 or 2.8 per cent to L13,212, after this month's strong rally which followed indications from Fiat that it was considering disposals in the insurance sector.

MADRID, like other late closing markets, moved up from earlier lows to close with the general index 0.78 higher at 258.99 on gains in some construction, utility and industrial stocks. Turnover rose from Pta14.4bn to around Pta18bn.

VIENNA hit a new 1993 high as the ATX index rose 10.68 to 923.25, up 5.2 per cent on the week so far. At Kleinwort Benson, Mr Frank Jonuschat said that fund managers, previously underweight, had been making slight increases in their exposure to the market over the past six weeks.

ASIA PACIFIC

Nikkei firms as Manila sets all-time high

Tokyo

FUTURES-related trading dominated activity as the trial began of a former "godfather" of the Liberal Democratic party, *writes Emiko Terazono in Tokyo*.

The Nikkei average gained 34.90 at 20,115.81, after moving between 20,049.60 and 20,152.82. Arbitrage buying linked to the Nikkei 225 futures supported the index, but the Topix index of all first section stocks shed 2.03 to 1,634.28, reflecting an overall easier tone. In London the ISE/Nikkei 50 index edged up 1.17 to 1,245.10.

Volume remained below 300m shares for the fourth straight session, being estimated at 240m shares, against a previous 254m. Declines led rises by 535 to 418, with 203 issues unchanged.

Traders said that many investors are determined to wait out the current political uncertainty. On the first day of his trial, Mr Shin Kanemaru, a former leading LDP member, denied charges of tax evasion. Meanwhile, the LDP was thrown into turmoil as younger members opposed the proposed selection method for the next party president.

Mr Yasuo Ueki at Nikko Securities said investors will not participate until the political situation was resolved. He added that the downside remained firm as the current levels were unattractive for sellers.

The construction sector lost 0.74 per cent on fears that the Kanemaru trial could implicate leading construction companies. Kajima dropped Y32 to Y760. Hazama, which fell to a year's low on Wednesday because of its role in a bribery scandal, firmed Y1 to Y445 on bargain hunting.

Overnight support of the high-technology sector on Wall Street encouraged investors, and Sharp, the day's most active issue, moved up Y10 to Y1,380 and Matsushita Electric Industrial Y50 to Y1,320.

Communication issues were firm, the sector rising 1.33 per cent. Nippon Telegraph and Telephone advanced Y12,000 to Y911,000 on reports that NTT Data Communication, its subsidiary, will apply for listing.

Stocks with links to East Japan Railway were mixed. Tobu Railway climbed Y9 to Y866, but Nippon Express lost Y10 to Y1,040 on profit-taking.

Shiseido, the cosmetics maker, retreated Y30 to Y1,400 on reports that a discount retailer will file an anti-monopoly complaint with the FTC against the company's distribution units for cancellations of contracts.

In Osaka, the OSE average slipped 30.33 to 22,145.26 in volume of 23m shares.

Roundup

PACIFIC Rim markets registered mixed performances, although some remained at record high levels.

MANILA posted a second consecutive all-time peak in response to improved market sentiment and the strong performance of Philippine Long Distance Telephone both locally and on Wall Street. The composite index added 25.09, or 1.5 per cent, at 1,706.95.

PLDT rose 40 pesos to 1,090 pesos after its $2⅞ advance to $39⅞ on Wall Street.

NEW ZEALAND saw a second consecutive three-year high, with the NZSE-40 index 3.44 ahead at 1,732.95, although forestry stocks eased back after their recent strong run.

TAIPEI finished ahead, although off early highs, in response to small deposit rate cuts by local banks. The weighted index ended 25.18 stronger at 3,932.15, after a day's high of 3,957.40.

HONG KONG was undermined by foreign selling by institutional investors worried about the state of China's economy. The Hang Seng index receded 79.96, or 1.17 per cent, to 6,760.02.

AUSTRALIA traded lower as investors sold blue chips, and the All Ordinaries index finished 15.9 down at 1,802.6. Futures-related trading, easing bullion prices and a lack of overseas buying contributed to the softer market.

SEOUL was depressed by pessimism about the nation's economic prospects and a liquidity shortage, which left the composite index 5.38 lower at 746.56.

BOMBAY was broadly higher on buying by financial institutions and short-covering by speculators. The BSE index put on 38.05 at 2,161.37.

SOUTH AFRICA

EQUITIES lost ground as the price of bullion weakened. The gold shares index fell 51 to 1,810 and the industrials index weakened 23 to 4,545. The overall index shed 39 to 3,989. Kloof receded R1.25 to R51 and Anglos R1.50 to R140.50.

Devaluation move speeds Karachi bourse recovery

Farhan Bokhari on an eventful week in Pakistan

Yesterday's rupee devaluation of just over 6 per cent by the caretaker government of Pakistan brought fresh impetus to the recent recovery on the Karachi stock exchange, after a bear market extending back to the first quarter of 1992.

The KSE-100 index closed 34.46, or 2.6 per cent, higher yesterday at 1,354.95, up 6.8 per cent over the week so far. This week's surge also came in response to Sunday's resignations by Mr Ghulam Ishaq Khan, Pakistan's president, and Mr Nawaz Sharif, its prime minister. The KSE-100 index is now 24.9 per cent above its nadir of April 26.

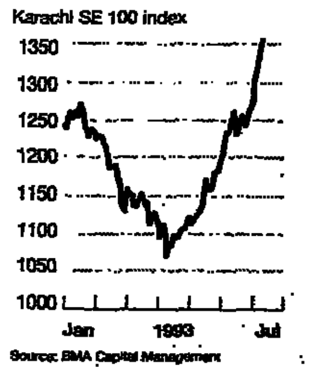
Many brokers believe that the country's period of economic and political turmoil may have come to a conclusion. Mr Wasim Sajjad has taken over as acting president until the November presidential elections and Mr Moeen Qureshi, a former vice-president of the World Bank and a respected international economist, has been appointed interim prime minister.

"The market is rising because short term uncertainties are over," says Mr Nasir Ali Shah Bukhari, a leading broker and chief executive of Khadim Ali Shah Bukhari & Co. The new prime minister gave assurances last Monday that the economic direction of the country will remain unchanged, laying to rest fears that Mr Sharif's programme of reforms might be reversed. "The thing that kills investments is uncertainty; now that is over," says another leading broker, Mr Yasin Lakhani.

Many investors hope that Mr Qureshi's credentials will help Pakistan to seek fresh assistance at the Aid to Pakistan donors' consortium, due to meet in Paris this September. Islamabad is expected to request up to $2.5bn in fresh assistance.

Pakistan is also currently negotiating a $1bn loan from the International Monetary Fund under the extended structural adjustment facility. "People expect that the interim prime minister, having been part of the IBRD [International Bank for Reconstruction and Development, a core unit of the World Bank], will be more successful at the consortium," adds Mr Lakhani.

Pakistan



Source: BMA Capital Management

Although the political crisis may have ended for now, some brokers are still concerned about the possibility of a heated election campaign, which could raise fresh fears among investors. That could mean pressure on share prices in the month leading up to the October 6 national elections, prior to the prospect of recovery when a new government is sworn into office.

"The campaign would bring out charges and counter-charges, which might create fears over the future," says one broker. However, he adds, recent assurances from powerful army generals that they will ensure free and fair elections mean that the setback should only be temporary.

But yesterday's devaluation reflected continuing concerns over the economy. Pakistan has just completed a budgetary year with a record deficit of Rp95bn ($3.6bn), compared with a target of Rp65bn.

Last year's economic growth rate came out at 3 per cent, down from an earlier target of more than 6 per cent.

The heavily weighted textile sector had gains in the market of between 7 and 13 per cent yesterday, Saif Textile advancing by Rp2.50 to Rp35.50 and Gulshan Spinning by Rp3 to Rp26. The industry has been continuing to suffer from large-scale losses, especially in the spinning sector; and almost one-third of the 643 companies listed on the KSE are textile units.

The losses were a result of last year's floods, which left behind damage estimated at Rp50bn to infrastructure and the cotton crop. This year's cotton crop output fell from an expected 12m bales to just under 9m.

Recent monsoon rains have once again caused floods in the past two to three weeks. The cotton crop has not been affected so far but, says a broker, "the monsoon season is still not over".

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 21 1993								TUESDAY JULY 20 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	140.68	+1.0	137.72	96.49	124.23	137.60	+0.7	3.65	139.24	137.49	95.32	123.72	136.69	144.19	117.39	142.20
Austria (17)	156.47	+1.0	153.17	107.32	138.17	138.21	+0.3	1.40	154.93	152.98	106.06	137.65	137.77	158.47	131.16	155.48
Belgium (42)	150.39	+0.6	147.22	103.13	132.80	130.17	+0.0	4.40	149.54	147.65	102.36	132.86	130.17	156.76	131.19	147.42
Canada (108)	124.14	–0.5	121.53	85.14	109.62	114.84	–0.6	2.92	124.80	123.23	85.43	110.88	115.54	130.38	111.41	127.46
Denmark (33)	214.40	+0.1	209.88	147.05	189.32	191.65	–0.2	1.16	214.13	211.43	146.59	190.25	192.07	225.64	185.11	234.60
Finland (23)	99.98	–0.1	97.87	68.57	88.29	120.80	–0.1	1.01	100.04	98.78	68.49	88.89	120.88	100.92	65.50	74.46
France (97)	150.92	–0.2	147.74	103.50	133.26	137.37	–0.8	3.34	151.24	149.34	103.53	134.37	138.49	167.38	142.72	153.22
Germany (60)	116.82	–0.2	114.36	80.13	103.15	103.15	–0.8	2.05	117.04	115.57	80.14	103.99	103.99	117.10	101.59	121.07
Hong Kong (55)	274.34	–0.2	268.56	188.15	242.27	273.06	–0.2	3.46	274.90	271.44	188.19	244.26	273.70	301.61	218.82	250.57
Ireland (15)	161.47	+0.1	158.07	110.75	142.59	160.28	–0.5	3.44	161.30	159.27	110.42	143.32	161.08	170.40	129.28	158.57
Italy (70)	68.28	–2.4	66.84	46.83	60.29	81.53	–2.3	1.99	69.96	69.07	47.89	62.15	83.47	72.82	53.78	62.71
Japan (470)	149.88	+0.0	146.72	102.79	132.36	102.79	+0.1	0.81	149.94	148.05	102.65	133.24	102.65	155.96	100.75	93.29
Malaysia (69)	343.52	+2.9	336.29	235.59	303.34	339.69	+2.8	1.99	333.87	329.67	228.55	296.64	330.47	349.34	251.66	246.88
Mexico (19)	1539.10	–0.9	1506.67	1055.58	1359.09	5253.60	–1.0	0.94	1552.41	1532.86	1062.75	1379.33	5304.15	1725.81	1410.30	1467.05
Netherland (24)	165.40	+0.1	161.91	113.44	146.06	144.37	–0.4	3.81	165.15	163.07	113.06	146.74	144.91	172.75	150.39	160.56
New Zealand (13)	52.79	+1.6	51.68	36.21	46.62	50.97	+1.0	4.38	51.97	51.32	35.58	46.18	50.48	52.94	40.56	47.08
Norway (22)	158.91	+0.1	155.56	108.99	140.33	156.92	–0.4	1.68	158.82	156.82	108.72	141.11	157.52	166.21	137.71	164.29
Singapore (36)	252.80	+2.3	247.47	173.38	223.23	188.32	+2.1	1.83	247.08	243.97	169.15	219.53	184.46	262.72	207.04	209.36
South Africa (60)	205.00	–0.6	200.68	140.59	181.02	202.30	–0.7	2.50	206.26	203.66	141.20	183.26	203.77	211.77	144.72	189.75
Spain (44)	120.31	–0.3	117.78	82.52	106.24	122.27	–0.4	4.72	120.72	119.20	82.65	107.26	122.78	132.82	115.23	137.46
Sweden (36)	170.52	–0.9	166.92	116.95	150.58	201.31	–1.1	1.67	172.05	169.88	117.78	152.87	203.57	184.06	149.70	184.46
Switzerland (50)	124.46	–0.1	121.84	85.37	109.92	115.82	–0.3	1.88	124.63	123.06	85.33	110.76	116.21	129.36	108.91	108.99
United Kingdom (218)	173.53	+0.5	169.87	119.00	153.22	169.87	–0.3	4.08	172.81	170.43	118.15	153.35	170.43	181.99	162.00	180.73
USA (520)	183.05	–0.1	179.20	125.55	161.65	183.05	–0.1	2.80	183.15	180.84	125.38	162.73	183.15	186.27	175.38	167.37
Europe (751)	143.94	+0.0	140.90	98.72	127.11	136.85	–0.6	3.26	143.91	142.10	98.52	127.87	137.64	149.02	133.92	145.95
Nordic (114)	163.24	–0.5	159.80	111.96	144.15	167.88	–0.7	1.48	164.05	161.98	112.31	145.76	169.11	171.77	142.13	172.69
Pacific Basin (714)	153.31	+0.1	150.08	105.15	135.38	108.18	+0.2	1.08	153.20	151.27	104.88	136.12	108.95	159.07	105.89	100.33
Euro-Pacific (1465)	149.35	+0.1	146.20	102.42	131.88	120.93	–0.1	1.94	149.28	147.40	102.18	132.63	121.05	154.05	117.26	118.78
North America (628)	179.39	–0.1	175.61	123.05	158.44	178.42	–0.1	2.81	179.52	177.25	122.91	159.53	178.55	182.38	171.51	164.86
Europe Ex. UK (533)	125.36	–0.3	122.72	85.99	110.72	117.53	–0.7	2.71	125.77	124.18	86.12	111.77	118.41	128.65	112.51	124.82
Pacific Ex. Japan (244)	187.59	+1.0	183.63	128.68	165.67	173.23	+0.8	3.19	185.81	183.47	127.22	165.11	171.91	194.08	152.70	159.79
World Ex. US (1652)	149.92	+0.0	146.76	102.83	132.39	122.91	–0.1	1.97	149.90	148.01	102.63	133.19	123.07	154.27	118.51	120.80
World Ex. UK (1954)	158.70	–0.1	155.36	108.85	140.15	138.57	–0.1	2.10	158.80	156.80	108.72	141.11	138.68	161.34	134.22	131.31
World Ex. So. Af. (2112)	159.82	+0.0	156.45	109.62	141.14	141.01	–0.1	2.29	159.82	157.81	109.42	142.02	141.14	162.74	137.29	135.20
World Ex. Japan (1702)	167.34	+0.0	163.81	114.78	147.79	162.97	–0.2	2.96	167.33	165.23	114.56	148.70	163.31	170.05	157.47	159.09
The World Index (2172)	160.02	+0.0	156.65	109.76	141.32	141.52	–0.1	2.29	160.04	158.03	109.57	142.21	141.86	162.86	137.32	135.68

Constituent changes 22/7/93: Name changes: Z-Landerbank (ord. & pref) to Bank Austria (Austria). Latest prices were unavailable for this edition.
Belgian market closed July 21.